





## EUROPEAN NEWS

# Command of Soviet forces shaken up

By Patrick Cockburn in Moscow

IN A BIG shake-up in the high command of the Soviet armed forces, Marshal Nikolai Ogarkov has replaced Marshal Viktor Kulikov as commander-in-chief of the Warsaw Pact forces, diplomats in Moscow said yesterday.

Marshal Ogarkov, 67, was a vigorous chief of staff of the Soviet armed forces until his sudden dismissal last year. His appointment to command the Warsaw Pact forces, which is not officially confirmed, comes as a surprise.

Other senior officers to change include Marshal Alexei Yegorov, 77, who is replaced after 23 years as head of the political directorate of the Soviet armed forces, the key body in asserting Communist Party control within the army.

The extent of the changes in the high command illustrates the determination of Mr Mikhail Gorbachev, the Soviet leader, to retire rapidly members of the civil and military leadership who are very old or out of keeping with his plans for modernisation.

Marshal Ogarkov strongly advocated technical change in the Soviet armed forces after he was appointed chief of staff in 1976.

His abrupt dismissal last year has been variously attributed to a vigorous advocacy of high spending on technology, a bid to stop him becoming Minister of Defence, and opposition by Marshal Ogarkov to renewed talks with the U.S. in Geneva.

However, since Mr Gorbachev assumed power, there have been signs of Marshal Ogarkov's rehabilitation. It is unlikely that these changes in the Soviet top brass signal by themselves any shift in the Soviet diplomatic stance towards the U.S. or its negotiating position in the Geneva disarmament talks.

## FINANCIAL TIMES

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# Andriana Ierodiaconou looks at attempts by Athens to repair U.S. relations after last month's TWA hijacking Papandreou returns to the tricky job of wooing Washington

DURING the volatile first term of Greece's Socialist Prime Minister, Mr Andreas Papandreou, from October 1981 to June 1985, the crises in Greek-U.S. relations became such an ordinary feature of political life that they were described by one Western diplomat as "dog-bites-man" news.

The latest upset, caused by the hijacking in June of a TWA jet from Athens airport by Shi'ite gunmen, rates more interesting as a man-bites-dog material. The hijack crisis dymatised, even before it could properly get under way, a fragile détente between Greece and the U.S. which Dr Papandreou had spent considerable energy in constructing after his re-election on June 2.

The Prime Minister began sending peace signals to Washington even before the election, notably in a landmark interview for the New York Times in which he predicted "calm waters" in Greek-U.S. relations if he was returned to power.

Dr Papandreou avoided making the U.S. a vote-catching issue during the election campaign, in which he generally skirted tricky foreign policy issues such as the future of the American military bases. When the Socialists emerged vic-

torious with a remarkable 46 per cent lead against 41 per cent for the overtly pro-American conservative Opposition, President Ronald Reagan despatched a prompt message of congratulations, which Dr Papandreou was quick to welcome as "warm".

"The Reagan end Papandreou Administrations can never be anything but oil and water ideologically. But there seemed to be an awareness in both Athens and Washington that they had to live with each other, and that it would be a good idea to develop *modus vivendi*," one observer said.

The waters had hardly begun to grow calmer, however, when the TWA hijacking unleashed a new storm, which resulted in a U.S. State Department travel advisory blacklisting Athens airport on the grounds of inadequate anti-terrorism security. Weaknesses in Greek airport security had been noted by such agencies as the International Air Transport Association (IATA): less than hermetic screening facilities and the lack of a specially-trained airport security corps, rather than inadequate equipment, were the main problems.

Most Western observers believe Washington's response would not have been

as strict if American patience with Greece had not been worn thin already during the previous three and a half years of Socialist Government. The memory still rankles in Washington of Greece's refusal to condemn the Soviet Union for the downing of the South Korean Jumbo, in particular, as their first term.

Greece's pro-Government press, always a barometer of official policy, on the whole has refrained from the usual "Yankee-go-home" banner headlines. More significantly, a July newspaper article by one of Dr Papandreou's close advisers appealed to Washington

Minister to the United Nations' 40th anniversary celebrations.

Dr Papandreou has been engendering for some time, for reasons of domestic political kudos and also to balance a recent official visit to the U.S. by Turkey's Prime Minister, Mr Turgut Ozal. His chances of getting the invitation were virtually nil during the past three years, but improved after the June elections, only to become extremely slim once more with the hijack crisis.

Optimists predict that Washington will eventually lift the travel advisory, allowing Dr Papandreou to secure his audience with Mr Reagan. A U.S. Federal Aviation Authority team has spent the past week checking Athens airport security, and is expected to return to Washington tomorrow to prepare its report.

Relations between Athens and Washington, however, are likely to remain sensitive as long as the fate of the U.S. military in Greece bases hangs in the balance.

Dr Papandreou came to power in 1981 pledging to close the bases down. He went on to sign a new defence agreement with the U.S. in 1983 ensuring the operation of the bases for at least another five years, but

to recognise that "there is an anti-Americanism in Greece." In order to "sit down and discuss on equal terms whatever problems exist between the two countries."

The Socialists' restraint is partly accounted for by their desire to stanch the mass cancellation of American tourist arrivals provoked for by their advisory, which stands to hurt foreign exchange earnings vital to the balance of payments. But they are also anxious to safeguard at all costs the chances of bringing off a meeting between Dr Papandreou and President Reagan in October, during a planned visit by the Prime

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## Kohl denies aiding tax evasion

By Rupert Cornwell in Bonn

CHANCELLOR HELMUT KOHL yesterday curiously rejected accusations that he had knowingly helped corporate benefactors evade taxes of political donations to his Christian Democrat (CDU) party, during his spell as premier of the state of Rhineland Palatinate between 1969 and 1976.

His denial came during 21 hours of testimony in Mainz to a committee of the Rhineland Palatinate regional assembly. For months it has been probing allegations that a massive system of irregular party financing had operated there.

The money, said to run into many millions of Deutsch Marks, was channelled through a variety of front companies. These provided a screen which enabled the company donors to claim tax deductions on the sums they gave. The beneficiaries included not only the CDU, but also the smaller liberal Free Democrat (FDP) party.

The Chancellor's terse manner clearly betrayed his irritation at being still dogged by the issue, which came to a head last year with the Flick affair and the resigning — and subsequent resignation — of Count Otto Lambsdorff, the former FDP Economics Minister.

Count Lambsdorff, along with



Herr Kohl in court at Mainz yesterday

Herr Hans Fricke, his predecessor at the Ministry and also an FDP member, and a former top Flick executive, go on trial here on August 29. They are accused of accepting bribes from the industrial concern to help secure tax breaks.

Herr Kohl yesterday basically stuck to the line of defence he employed when questioned during the Bundestag's Flick hearings last year. He had no knowledge of any tax irregularities, and if the CDU had "sinned" over the donations, then other large parties had done so as well.

## Black economy put at 12% of GNP

By Rupert Cornwell in Bonn

URGENT GOVERNMENT measures are needed to tackle the "black economy" in West Germany, which is worth some DM 200bn (£50bn) a year and provides illegal employment for around 1.5m people.

This is the view of the small and medium industry association (MIT) of the ruling CDU-CSU union of conservative political parties, set out in a "strategy document" for the coming year on the scale of the underground component of what is generally held to be one of Europe's most regimented and well supervised economies.

The figures are necessarily an estimate. But if roughly correct, they would suggest that the black economy now accounts for around 12 per cent of West Germany's gross national product, put at DM 1,750bn in 1984.

Further evidence that the illegal sector of the economy is growing comes from the fines levied by the authorities for work carried out unregistered, and without the statutory social security contributions. Last year, such fines totalled DM3.3m — derisory

when set against the scale of the practice, but more than 25 per cent up from 1983. The Federation of West German craft industries, moreover, has estimated that "black labour" costs the artisan sector some DM 40bn of lost orders annually, around a tenth of its total official business.

As might be expected, the fines suggest that the bulk of the problem is to be found among the building industry and in home maintenance.

But the MIT's guess that some 1.5m jobs are involved could also throw a slightly different light on the entire debate raging over unemployment in West Germany. This stands officially at over 2.1m or 8.7 per cent of the workforce and the highest mid-summer level ever recorded here.

Among the recommendations the MIT to combat black labour are the introduction of mandatory national insurance cards, and tighter supervision of part-time work. But the association also wants a rigid wage system for skilled workers, as a means of attracting labour back to above-board jobs.



Sr Boyer: close to government decisions

## Top post in banking for Boyer

By Tom Burns in Madrid

SR MIGUEL BOYER, the former Spanish Economy and Finance Minister, was yesterday appointed chairman of Banco Exterior, Spain's export finance bank, in a move that keeps him close to the Government's decision-making process on financial affairs.

The appointment was made by the board of the state-controlled bank on the recommendation of Carlos Solchaga, who succeeded Sr Boyer in the economy portfolio at the beginning of the month, and with the specific endorsement of Sr Felipe Gonzalez, the Prime Minister.

Sr Boyer replaces Sr Francisco Fernandez Ordóñez, who was promoted from the Banco Exterior chairmanship to Foreign Minister in the July 4 cabinet reshuffle.

The Banco Exterior appointment brings Sr Boyer into close contact with the so-called "big seven" private banks whose chairmen meet on a regular and informal basis to discuss monetary policy.

During his spell in the cabinet, he earned the esteem of Spanish bankers and his now automatic membership of the top banking club will give the government a key tool in the financial markets.

This means that the Government will have a singular ally for contentious issues with the private banks and most importantly over the question of the *enganche* — the system of compulsory ratios established by the monetary authorities by which banks are forced to invest a percentage of their customer liabilities in state-directed assets.

Bankers say that the coefficients which currently allow off just over 50 per cent of a private bank's deposit base could be pushed up still further as a result of the need to finance the budget deficit.

## Tests show wine was not toxic

BERLIN — West German health officials, reversing earlier findings, said yesterday that no traces of a toxic anti-freeze component had been discovered in West German wines.

Herr Klaus Guenther, director of the Berlin-based Food Analysis Institute, said extensive tests proved the chemical agent diethylene glycol — discovered in some Austrian wines — had not been found mixed with German wines as originally thought.

On Wednesday, Herr Guenther told reporters that a small quantity of diethylene glycol had turned up in two tested bottles of the "Kellergerster" wine brand.

From the test results we can now conclude without a doubt that the toxic antifreeze agent which has been found in Austrian wines has not been added to German wines," Herr Guenther said yesterday.

The director said the discrepancy in his Institute's test results was due to the difficulty in examining wine for small quantities of diethylene glycol.

Herr Guenther said it was difficult to distinguish between the antifreeze agent and simple sugar in the tests conducted by his institute and that his institute had not conducted a proper analysis on Wednesday.

On Wednesday, Herr Guenther said 0.77 grams per litre of diethylene glycol turned up in two bottles of the "Kellergerster" wine brand.

The Dutch Health Ministry denied reports that the chemical had been found in German wines exported to that country. The Dutch said tests performed by health officials in Rotterdam were faulty.

Health officials say that a gram of the chemical for every 2.2 pounds of body weight is considered a deadly dose. A tenth of that amount can cause permanent kidney damage.

Meanwhile, more than 1m litres of Austrian wines believed contaminated with diethylene glycol have been confiscated in West Germany this month, officials reported.

Austrian authorities have arrested more than 20 wine growers and charged them with illegally adding the chemical in small amounts to artificially improve their products' taste.

The Austrian Agriculture Ministry has guaranteed that no more of the tainted wines was exported to West Germany after the chemical problem was discovered there in April.

## East Germany likely to spend on factories

EAST BERLIN — East Germany may be planning major investments to modernise and reconstruct its industrial plants as the potential for intensive economic growth approaches its limits, Western economic experts said yesterday.

One expert said the most likely reason why East Germany has taken out credits with Western banks amounting to some \$1bn this year is for the funding of these projects, which are likely to be announced in the five-year plan for 1986-90 now being worked out.

The experts said the growth in produced national income of a year-on-year 4.1 per cent for the first half of 1985 was clearly reached by further economies in fuel and raw materials. Unit costs in industrial production dropped by 2 per cent.

The figures, announced in the Communist Party newspaper *Neues Deutschland*, compare with growth of 5.5 per cent in the same period of 1984. Industrial investment was static at around DM 25bn (\$8.8bn at the official rate) in the first half of this year.

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## Craxi delays economic package

By James Buxton in Rome

THE ITALIAN Government appears to have dropped plans for an immediate package of economic measures to hold down its soaring budget deficit.

The government of Sig Bettino Craxi accepts the need to cut the deficit by about L5,000bn (€500bn) for the year of L200,000bn (€200bn) is to be met. The deficit is equal to about 13.5 per cent of gross domestic product.

However, with increase in direct taxation a political impossibility and reductions in spending difficult both to agree and implement, the only option left to the Government was to raise indirect taxes through an

increase in the petrol price and to put up charges for Government-provided services.

This economic ministers realised, would tend to increase the cost of living index, thus jeopardising another government objective — that of bringing inflation down from its current 8.6 per cent.

The issue now seems likely to be postponed until after the summer holiday period when attention could focus ways of reducing spending rather than raising revenue.

Today, Sig Craxi will hold another meeting of the leaders of the five parties in the ruling

coalition to hammer out a new programme for the Government, which is just coming up to its second anniversary. He has issued a draft programme which highlights the putting to rights of public finances and implies the need for a further three years in office — which would mean continuing until the next general election is due in 1988.

The ruling parties have not only to agree on a programme and on possible changes in the cabinet, but must also settle crucial issues of how to share out power in local government, following last May's local elections, and in the Rai state broadcasting authority.

## Polish pressure for export bank

By Christopher Bobinski in Warsaw

POLAND'S FOREIGN Trade Ministry is pushing hard for a specialised bank to be established to finance small scale export-related investment projects, according to Professor Josef Soldaczuk, head of the Trade Ministry Research Institute which also supports the idea.

Initially, the bank would provide short term 20% credits to companies for modernisation projects. But some hard currency financing is also envisaged he says.

The idea has still to win the approval of the existing banks and some, like the Bank Handlowy, the present foreign trade bank, are known to be cool towards it.

Prof Soldaczuk says it will provide a means of stimulating sales abroad. He was speaking after this week's signing of an agreement rescheduling \$11.3bn worth of debts falling due between 1982 and 1984 to 17 Western governments.

He is confident that the 10 per cent annual growth target

for hard currency exports to 1990 is a realistic one. Last year, Poland had a \$1.5bn trade surplus on hard currency exports worth \$6.3bn. But Prof Soldaczuk thinks the country can no longer afford to rely on expansion of either the volume, or even the value, of raw material sales which at present provide a third of external earnings.

Rather, sales of agricultural products and processed foods, especially fruit, provide a promising area for expansion.

against environmental objections and other political objections, said: "I no longer see even a rosy glimmer."

Representatives of Austrian industry and trade unions may be expected to continue to fight for Zwentendorf and the Sch 16m (\$750m) invested there in capital and maintenance costs, but their chances of success must be slim.

The power station has been the central theme of Austrian domestic politics for several years. In 1978 a referendum went against commis-

sioning the station and although public opinion has now swung the other way, the political parties have not been able to agree on another referendum on the matter.

Majorities in both the Socialist Party of Dr Fred Sinowatz, the Chancellor, and in the main opposition party, the Austrian People's Party, are known to favour nuclear power. But the small Freedom Party, upon which Dr Sinowatz relies for his majority, is against it. Dr Sinowatz has made several attempts to get the opposition to help him out, all without success.

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## Austrians to sell their sole N-plant

By W. L. LUTKENS in London

AUSTRIA'S only nuclear power station, at Zwentendorf, is to be put up for sale because political difficulties raised since its completion in 1978 have prevented it being brought into stream.

Shareholders in the power station decided in Vienna yesterday to pursue two offers made for the disposal of Zwentendorf. The offers were submitted by Bechtel International, the U.S. consultant, and by Elektrowatt of Switzerland, who are expected to seek buyers for the 722 megawatt boiling water power station.

The management of the operating company, Grosskraftwerk Tullnerfeld, was instructed to clarify questions concerning the two offers as soon as possible. That may take up to nine months.

Asked whether this meant a reprieve for Zwentendorf, Dr Walter Fremuth, head of the national electricity grid, said "Yes and no."

If a potential buyer was to offer an appropriate price, the matter might be settled very quickly, but Dr Fremuth, who has been struggling to keep Zwentendorf alive

against environmental objections and other political objections, said: "I no longer see even a rosy glimmer."

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## OVERSEAS NEWS

## Israel urges U.S. to shun Palestinian peace talks nominees

BY DAVID LENNON IN TEL AVIV

ISRAEL IS urging the U.S. not to allow its officials to meet with any of the Palestinians included in a list of potential delegates to a joint Jordanian-Palestinian delegation for preliminary talks on a new Middle East peace initiative.

Jerusalem yesterday totally rejected the delegates named by Mr Yasser Arafat, the PLO chairman, despite the fact that all but one of them are political rather than military figures within the Palestinian independence movement.

The 1.2m Palestinians living under Israeli occupation on the West Bank and the Gaza Strip were muted in their reaction. While there was broad satisfaction that the list did not include any pro-Jordanian figures, there was an air of resignation about the prospects of Israel accepting those named as representatives of the Palestinians.

This pessimism was borne out yesterday by statements by officials close to Mr Shimon Peres, the Prime Minister. "The basic feeling is that the list of potential delegates is more PLO coloured than we had anticipated. Therefore it is rejected."

They described the latest attempt to end the deadlock over the Palestinian issue as "an effort to legitimise the PLO in the eyes of the U.S." but added: "We feel that Mr Richard Murphy, the Assistant Secretary of State, will not meet these people because they are representative of the PLO."

A Foreign Ministry spokesman said that if U.S. officials meet with these Palestinians, the U.S. will be violating the 1974 undertaking of Mr Henry Kissinger, former Secretary of State, that the U.S. would not



Mr Shimon Peres

negotiate with the PLO as long as it refuses to recognise Israel's right to exist.

Among the names mentioned by both Palestinian and Israeli officials, but not confirmed officially, are Mr Hanna Siniora, a PLO supporter who edits the East Jerusalem daily al-Fajr, and Mr Faez Abu Rahme, chairman of the Chamber of Advocates in the Gaza Strip.

The others live outside the occupied territories. They include Mr Khaled al-Hasan, a member of the central committee of Fatah, Mr Salah Tasmar, who is married to Queen Dina, a former wife of King Hussein, and Mr Nabil Ri-Shaat, a close adviser to Mr Arafat.

The sixth name, according to the Jerusalem daily al-Kuds, is Mr Hatem Hussein. He is the head of the Palestine Information Office in the U.S.

## Philippine leaders said to export capital

By Samuel Senoren in Manila

TWO of the Philippines' largest and most influential business groups spearheaded a move yesterday to pressure President Ferdinand Marcos into ordering an independent investigation of reports that senior members of his Cabinet and close friends had illegally exported foreign exchange resources.

The Philippine Chamber of Commerce and Industry and the Employers' Confederation of the Philippines were joined by 12 other business, church, legal and educational groups in demanding "a full and public investigation of these reported overseas investments."

An open letter jointly signed by the 14 organisations said the reports "have become a serious matter of public concern, particularly at a time of extreme economic and financial difficulty in the country."

The Philippine economy is reeling from the effects of a \$26bn (£18.4bn) debt which has had to be restructured. Economists estimated that as much as \$10bn in Philippine capital had been illegally stashed abroad.

The demand for an impartial inquiry was the first organised reaction from the private sector since reports of the overseas investments appeared in U.S. newspapers last month.

Last week, Mr Marcos directed his Justice Minister, Mr Estelito Mendoza, to investigate the reports. But opposition groups belittled the effort claiming it was unlikely that Mr Mendoza would initiate an impartial inquiry of his peers.

Mr Marcos and his politically powerful wife, Imelda, had been mentioned in the reports as among the top Filipino investors in the U.S. Mr Marcos denied he has any interests in the U.S.

The allegations, first published by the San Jose Mercury News of California and picked up by local publications, sparked a fresh attempt by the opposition minority in the National Assembly to unseat Mr Marcos who has been in power for 20 years.

Reuter

## Siemens S. Africa dispute deadlock

BY JIM JONES IN JOHANNESBURG

TALKS between management and unions aimed at settling a dispute at Siemens South African plants were deadlocked yesterday after the management fired more than 1,000 striking workers on Wednesday and the unions claimed the company was preparing to hire replacement workers.

MAWU, the Metal and Allied Workers Union, whose members struck earlier this week in support of wage demands has called on other workers not to take the jobs of unionists who have been fired.

The dispute clearly indicates fundamental misunderstandings between many of South Africa's

employers and black employees. Siemens was a participant in recent industry-wide wage negotiations and undertook to pay an agreed increase of 14 cents (about 4p) an hour to its employees.

Mawu demanded that wages be increased by R1 an hour—an increase of about 70 per cent on the R1.37 an hour which the union claims is the current minimum wage or 40 per cent on the R2.32 an hour which Mr Johan Trotskie, Siemens' joint managing director, says is lowest rate paid to the company's factories. Mawu claims that because the company earned a profit of DM 1.4bn

(£350m) worldwide last year, it could afford the increases demanded for its South African black employees.

Earlier this week Mawu claimed that Siemens had fired 2,000 employees, which represented the entire workforce of the company's five factories in the Johannesburg area. Mr Trotskie contradicts this by saying that between 1,100 and 1,200 people had been dismissed out of a total workforce of 6,000. He added that in addition to the industry-wide negotiated hourly wage increases, Siemens awarded certain employees merit-based increases. He justified the dismissals by claiming

that black strikers had intimidated their coloured colleagues into staying away from work.

Siemens, like many other South African companies, is faced with significant difficulties as industry shifts away from the paternalistic attitudes which characterised the days of rigid apartheid. Many corporations believe it is necessary to make clear to unions that excessive wage demands risk leading to unemployment and the replacement of semi-skilled workers by machines. Many unions, in contrast, believe that industry has been exploitative for too many years and that now it has to make good the period of low

## S. Korea cracks down on opposition

By Steven S. Butler in Seoul

THE South Korean Government yesterday arrested 56 students on charges of attempting to overthrow the Government of President Chun Doo-hwan and says it is still looking for 23 more. Thirteen of the students were charged under the severe National Security Laws, which allow for a maximum penalty of death.

The arrests come after a month of increasingly harsh action taken against student and labour activists, marking an abrupt reversal of the more liberal attitude that the Government showed throughout the spring.

The Government has also adopted a harder line in dealing with the outspoken opposition that gained strongly in February's National Assembly elections. Earlier this week the Government party boycotted a special session of the assembly that the opposition had called to discuss the restoration of full political rights to Mr Kim Dae-jung, one of South Korea's most prominent dissidents.

The Government says it has no intention of restoring Mr Kim's rights, which are denied under the terms of a suspended sentence for sedition, and it has threatened legal action against Mr Kim if he joins the opposition New Korea Democratic Party as many of his supporters are urging.

It is still too early to tell if the crackdown signals any permanent change in the Government's announced policy of gradual liberalisation, but it confirms the fears of many Government opponents. "Everyone said that Mr Chun would crack down after he came back from visiting Washington in April," says a labour specialist, "and that is just what has happened."

U.S. pressure on the government has been widely credited with helping to bring about the dramatic political liberalisation that had taken place earlier. The arrested students were members of the Somminu, an anti-Government organisation that the Government has now labeled "pro-communist."

The organisation is accused of masterminding a four-day sit-in at the American Cultural Centre in May which greatly embarrassed the Government.

## Thatcher urged to contact BTR

BY WILLIAM DUFFLACE IN GENEVA

THE International Metalworkers' Federation (IMF) has appealed to Mrs Margaret Thatcher, the British Prime Minister, to intervene in the case of a South African subsidiary of the UK company, BTR, where black workers have died and been injured in violent clashes following the dismissal of 950 workers in May.

Mr Herman Rehban, the general secretary of the Geneva-based IMF, sent a telegram to Mrs Thatcher on Wednesday asking her to contact urgently Sir Owen Green, the BTR chief executive, "before more people get killed and hurt."

She should show the people of South Africa that Britain did not endorse the activities of British companies in their support for "the most odious aspect of the apartheid system," Mr Rehban's telegram said.

The Metal and Allied Workers Union (MAWU) in South Africa, an affiliate member of the IMF, has asked the BTR management in Britain to order BTR Sarmcol, its subsidiary, to negotiate with the unions over the dismissals but the British managers have so far refused to become involved, according to the IMF.

The federation says mass

## Dutchman to be handed back

SOUTH AFRICA said yesterday it is willing to hand over a Dutch detainee who failed to get sanctuary in the Netherlands embassy in Pretoria last week, but declared that he would face criminal charges.

Foreign Minister P. W. Botha said in a statement that it seemed South African police escorting Mr K. A. de Jongs had technically violated the embassy's diplomatic immunity.

Mr Botha said Pretoria had told the Dutch authorities it was willing to return Mr de Jongs to the embassy.

## OAU likely to stress self-help, debt relief

AFRICAN leaders meet in Addis Ababa today to seek solutions to the problems of a continent with \$170bn of debts and almost a third of its 500m people hungry. Reuter reports from the Ethiopian capital.

The annual gathering of the Organisation of African Unity (OAU) leaders is usually devoted to declarations on South Africa, imperialism and the Middle East, but this year is different.

Africa, in the words of a key summit document, "is facing an unprecedented economic and social crisis." Famine is rife and debt now amounts to \$340 per capita.

In the next two days, OAU leaders are expected to approve resolutions which will acknow-

ledge their own responsibility towards fighting falling food output and will urge western creditor nations to be less harsh about their debts.

Although more than half the OAU's member states are implacably hostile towards the developed nations' control of the world economy, the final resolution is not expected to blame Washington, London or Paris for Africa's decline.

"It is first and foremost incumbent upon Africa itself to define the conditions and assume direct responsibility for the rehabilitation of the economy," according to the proposed summit communiqué, which is expected to be adopted almost unchanged.

The documents likely to be

called the Addis Ababa declaration, calls on governments to revise their agriculture policies because food output over the past five years has grown by only 1.7 per cent against average population growth of 2.8 per cent.

"Millions of Africans see their living standards deteriorate each day, more so as the rural areas can no longer produce the necessary foodstuffs to meet the demands of the population..."

"A lasting solution to these problems will not depend on short-term emergency measures such as food aid but on the structural transformation of African economies," it says.

A recommendation by the UN Economic Commission for

Africa (ECA) says at least 20 per cent of government revenue should be ploughed back into the land, compared with around 10 per cent at present.

To buy some breathing space to recover from one of the worst droughts in history, the final resolution will also call on Western governments and banks to reschedule Africa's \$170bn of debt, delegates said.

There was talk then of declaring a debt moratorium and of refusals to pay. But during preparatory ministerial sessions this week only four states—Angola, Burkina Faso, Mozambique, and Sao Tome and Principe—called for a moratorium, delegates said. They found little support.

## Gujarat riots flare anew

BY K. K. SHARMA IN NEW DELHI

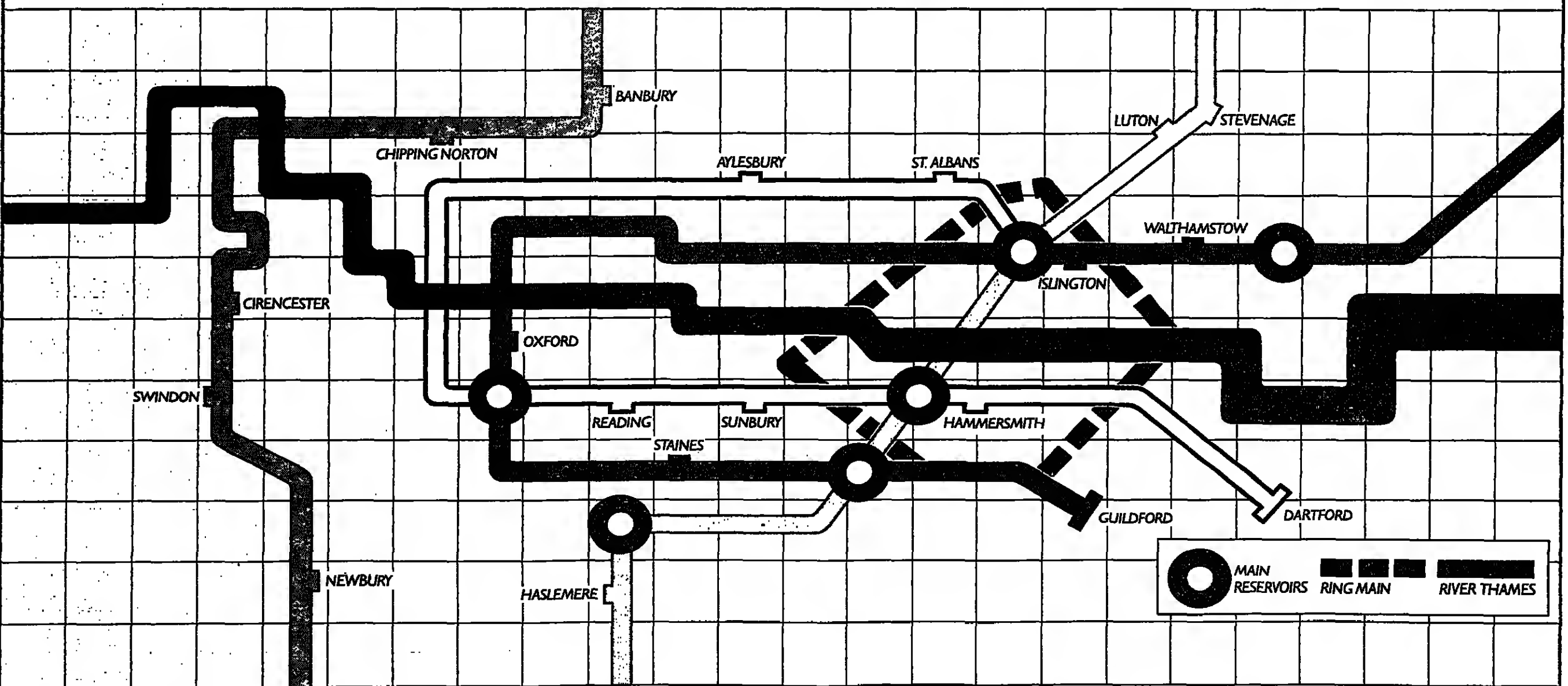
FRESH violence flared up in the troubled western Indian state of Gujarat last night and eight people were killed in rioting in Ahmedabad, the state capital, where the army was withdrawn on Tuesday after two months of patrolling.

The army is being withdrawn from other Gujarat towns in a bid to bring peace to the state

which has been in the grip of a violent five-month-old agitation against the increase of job quotas for backward castes.

Two U.S. experts said yesterday it was too early to say whether a mid-air explosion blew a packed Air India jumbo jet out of the sky near Ireland last month, Reuter reports from Bombay.

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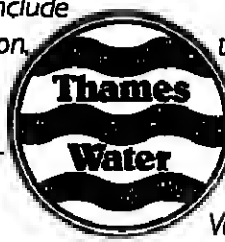
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## AMERICAN NEWS

## Volcker in move to defend Fed inflation policy

BY STEWART FLEMING IN WASHINGTON

FEDERAL RESERVE Board Chairman Paul Volcker moved vigorously yesterday to defend the credibility of the Central Bank as a bulwark against inflation. He also directly challenged the Reagan Administration's domestic political priorities saying that cutting the federal budget deficit is "more important, more urgent," than tax reform.

Since Tuesday when the Fed announced that it had decided to ignore excessive monetary growth in the first half of this year, Wall Street has been speculating that the Central Bank is signalling a readiness to move aggressively to cut interest rates again in order to boost the economy. Fed critics have argued that the Fed is on the verge of repeating the errors of the past and is laying the foundation for another burst of rampant inflation.

In testimony before the Senate banking committee yesterday Mr Volcker said that it would be "a serious misreading of our intentions" to conclude that the Fed has in any way eased its stance against fighting inflation.

Mr Volcker commented specifically on the decision to rebase the narrow M1 monetary target so as to ignore fast monetary growth in the first half of the year, while retaining M2 as a meaningful monetary target. He said that even with the new target range for the second half of the year M1 will still be high. "That expresses our concern that this rate of monetary growth should not continue. We are being reasonably conservative," he said.

## World Bank income up

THE WORLD BANK said yesterday it had a record net income of \$1.14bn (\$899m) for the fiscal year that ended June 30, 1985, according to Washington. The net income surpasses the Bank's previous high of \$752m in fiscal 1983 and is 90 per cent higher than fiscal 1984's earnings of \$600m, the Bank said.

The Bank said its financial results also included record borrowing of \$1.1bn, up from the previous record of \$1.03bn set in fiscal 1983.

The Bank said its record net income resulted largely from the Bank's loss of total funds—debt plus equity—of 7.44 per cent and from high rates of return of 12.63 per cent.

## Congress set for MX missile compromise

By Reginald Dale, U.S. Editor in Washington

THE U.S. CONGRESS is likely to limit the number of MX missiles deployed in fixed silos to 50, half the number originally sought by President Ronald Reagan, but more than the 40 proposed by the House of Representatives, according to Congressional sources.

The provisional agreement was reached by House-Senate conference negotiators, who are trying to reconcile wide-ranging differences between the defence spending bills passed by the two Houses for the 1986 budget year. The negotiators were also said to have agreed to drop a

maritime ban on the testing of anti-satellite weapons. The House wants to split the difference on funds for Mr Reagan's Star Wars space defence programme at \$2.75bn (\$1.94bn).

The MX compromise would provide up to \$2.6bn for the missile programme next year, including production of 12 more missiles on top of the 42 already authorised. But no more than 50 could be deployed unless the President came up with a new, less vulnerable basing system, and Congress approved it.

Pentagon officials said that the agreement would at least keep the missile assembly line moving and "keep the door" open for the deployment of more missiles in future. The negotiators added \$100m to the Pentagon's request for \$624m for the planned mobile, single-warhead Midgetman.

The \$2.75bn for Star Wars compared with almost \$3bn originally approved by the Senate and \$2.5bn by the House. Mr Reagan had asked for \$3.7bn, up from \$1.4bn in the current budget.

The Air Force would also be allowed to conduct tests of anti-satellite weapons against objects in space between now and October 1986.

Elsewhere on Capitol Hill, a House appropriations subcommittee cut \$1.2bn from Mr Reagan's \$15.46bn foreign aid request for next year, and voted to bar any nation from receiving U.S. aid until it took adequate airport security measures against terrorists.

Nicki Kelly in Nassau examines the effect of drug trafficking on the country  
Cocaine money breeds trouble in Bahamas

THE Bahamian Prime Minister, Sir Lynden Pindling, admitted to some embarrassment recently when asked by other Caribbean leaders to explain the Bahamas' formula for economic success. "We don't have any formula," he said. "We don't know ourselves."

Sir Lynden cannot not know, but many bankers and businessmen say that drug trafficking as much as tourism is a prime contributor to the conspicuous affluence evident everywhere in this small nation of 250,000 people.

Mr Valentine Grimes, a member of the governing Progressive Liberal Party (PLP), estimated during parliamentary debate on the issue that between 15 and 25 per cent of the Bahamian economy is based on the illegal drug trade. Others in closer touch with the financial side of the business say the figure is much higher.

One banker tells of a Bahamian customer who tried to deposit \$500,000 in the American currency totalling nearly \$800,000 (\$567,370). The banker turned him away rather than risk problems with the central bank, which requires all large cash deposits to be reported.

Many drug traffickers and drug pushers, to avoid identification, convert their cash into goods, from palatial homes and cars to expensive legal services, legal and banking professions and Cabinet.

Information revealed during the hearings showed the Government was aware as early as 1974 that drug smuggling was developing into a serious problem for the Bahamas. Nothing was done, however, first because the drugs were in transit to the U.S. and were thereby regarded as an American problem, and secondly because of the growing importance of drug smuggling in keeping the economy afloat.

No one anticipated, however, the wave of cocaine addiction that would sweep over the Bahamas in the flow of drugs

Mr Norman Saunders, the former chief minister of the Turks and Caicos Islands, has admitted accepting \$50,000 (\$36,211) from U.S. Government agents posing as drug smugglers, but said he never intended to go through with the drug deal, Reuter reports from Miami.

Mr Saunders, taking the witness stand on Wednesday for the first time at his trial in Miami, said he was playing along with the smugglers in hopes of securing financial

benefits for his impoverished island chain.

He said he never intended to allow the smugglers to carry out plans to ship tonnes of narcotics through the British territory of 5,800 people which lies 575 miles southeast of Miami.

Mr Saunders, the first foreign head of government ever detained in the U.S. on drug charges, is accused of conspiring in the use of the Turks and Caicos as a base to smuggle narcotics into south Florida.



Lynden Pindling: embarrassed

hardest hit, the number of new homes under construction rose during the period from a value of \$387,000 to \$175m.

The drug trade has now become the only source of income for many islands. In Bimini, with a population of 1,500, dollar deposits in the island's bank increased from \$544,380 in 1977 to \$12.3m in 1983. The deposits could not be linked to any ordinary business transactions, the governor of the central bank told a recent commission investigating drug trafficking through the islands. The only conclusion the bank could come to, he said, was that "the deposits were directly related to the flow of drugs."

"There is little doubt that drug money has bred a new culture among Bahamians. Drug pushers, openly flaunting their wealth, are regarded as heroes by many young people. Money appears to be power and it purchases acceptance by any and all," said Mr Hubert Ingraham, a former cabinet minister.

Mr Ingraham and Mr Perry Christie were dismissed from the Cabinet by the Prime Minister last October when they demanded that Sir Lynden and two other Cabinet members resign after the commission revealed evidence of ministerial wrongdoing.

The inquiry uncovered a network of drug-related corruption embracing all segments of Bahamian society, including the police, civil service, legal and banking professions and Cabinet.

Information revealed during the hearings showed the Government was aware as early as 1974 that drug smuggling was developing into a serious problem for the Bahamas. Nothing was done, however, first because the drugs were in transit to the U.S. and were thereby regarded as an American problem, and secondly because of the growing importance of drug smuggling in keeping the economy afloat.

No one anticipated, however, the wave of cocaine addiction that would sweep over the Bahamas in the flow of drugs

from South America. Medical experts say that the amount of cocaine "freebasing," exceeds anything known elsewhere outside of Colombia, one of the major suppliers of cocaine. Freebasing involves inhaling the cocaine vapor instead of sniffing or injecting the drug intravenously. The effect is to deliver nearly pure cocaine to the brain within seconds, and can turn a user into an addict within three to six months.

Dr David Allen, a Bahamian psychiatrist and the principal force behind efforts to educate Bahamians to the dangers of cocaine, blames freebasing for the unprecedented level of violent crime in the country. Since the beginning of the year, at least 24 people have been shot in armed robberies, three of them fatally. Hundreds more, including scores of visitors to the resort city of Nassau have been held up and terrorised by young criminals toting shotguns, pistols and knives.

According to police, more than 11,000 major crimes were reported last year. Nassau, with

less than 160,000 population, accounted for 70 per cent of the total. A national drug task force has been planned to tackle social and economic problems from cocaine addiction now plaguing the Bahamas, including suicide, unheard of previously, loss of family income, collapse of the family structure and the rising incidence of prostitution and child abuse.

Doctors are worried about the long-term repercussions on the country's health and cite the rapid spread of venereal disease among drug addicts, and the "shocking" increase in the number of female prostitutes who have become pregnant. Dr Allen has warned that unless drugs are eradicated from the Bahamas, the society will be destroyed in less than a decade.

Despite evidence to the contrary, many Bahamians still see something wrong in aiding or facilitating the drug trade. Dr Timothy McCartney, a clinical psychologist who has worked closely with drug addicts, attributes this to the amount of drug money dumped in the country by the drug trade, and the ambivalence of parents towards the situation.

Dr McCartney tells of treating a young man from a well-known Bahamian family who had been pushing drugs until he became addicted. Accustomed to the luxuries drug money could buy, his family was only concerned that their son could be cured quickly so that he could continue his job.

As Dr Sandra Dean Patterson, a sociologist, put it: "Breaking the grip that cocaine has on the Bahamas will be impossible unless and until Bahamians decide what their values are in relation to drugs and what their values are in relation to success."

## Mexico 'can weather price fall'

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

MEXICO SHOULD be able to weather the decline in oil prices without any new forced bank loans and without reopening existing rescheduling arrangements, Mr William Rhodes, a senior Citibank executive said yesterday.

Mr Rhodes, chairman of the advisory committee that renegotiated Mexico's \$96bn (\$67.6bn) foreign debt on behalf of more than 500 banks worldwide, noted in a speech to bankers in

Cambridge that the weak oil price had fuelled speculation that Mexico could face fresh financial problems.

"I don't see any danger of that. The Mexicans have used conservative estimates in their economic projections, and reserves are still high at \$6bn at the end of June," he said.

However, his remarks came on the same day as a new study from The Economist's Inter-

national Economic Appraisal Service, which suggested Mexico would need to seek a further rescheduling of its foreign debt by the end of 1986.

Even with a maxi-devaluation of the peso Mexico's current account balance of payments would still swing from surplus this year to a deficit of \$1.7bn by 1987, the study said. On top of that it would have to finance increasing payments of principal from then on.

## Nicaragua plans big rally

BY HUGH O'SHAUGHNESSY

THE NICARAGUAN government is planning to mark today's sixth anniversary of the overthrow of the dictatorship of General Anastasio Somoza and the ascent to power of the Sandinista movement by a mass rally in Managua.

Some 400,000 people and hundreds of foreign visitors are scheduled to hear speeches by President Daniel Ortega and others in the main square of the capital. The Government hopes to

stage a clear demonstration of continuing popular loyalty to the Sandinista front and defiance towards the U.S.-backed contra insurgents.

Mr Alejandro Martinez, the Foreign Trade Minister, said this week that new sacrifices would be needed if Nicaragua was to find fresh markets for the products which it sold in the U.S. before Washington imposed its ban on trade with Nicaragua earlier this year.

## WORLD TRADE NEWS

## Brazil in talks on sale of ethanol to U.S.

By Andrew Whitely in Rio de Janeiro

BRAZIL IS negotiating the sale of 2bn litres of ethanol, alcohol fuel converted from sugar cane, to the U.S. in a deal worth up to \$500m. (\$354m).

Mr Roberto Gusmano, the Industry and Commerce Minister, will head a delegation of Government officials and businessmen in talks next week in New York with unidentified U.S. petrol distributors, in a bid to conclude the negotiations.

If successful, this would be a major breakthrough for Brazil into an export market which has so far remained tantalisingly small. Last year the country exported 50m litres of alcohol fuel, bringing in \$200m, of which 650m litres went to the U.S.

The spur to the latest deal is the U.S. decision to progressively eliminate lead petrol from its fleet by July 1 this year. But until now Brazilian attempts to sell ethanol to the U.S. have been hindered by a considerable surplus sugar cane alcohol capacity to meet this need has run into strong resistance from U.S. sugar producers abetted by hefty import duties.

In a bid to boost the going market price of between \$20 and \$20.50 per hundred litres, the Brazilian government revealed on Wednesday that it was temporarily expending all alcohol export registrations and was itself taking over the negotiations with the U.S. distributors.

To avoid a disorderly competition abroad by Brazilian alcohol producers—all of whom are in the private sector—the Federal Sugar and Alcohol Institute, the IAA, said it would in future be establishing export parameters for the industry.

Se Willes Banks Leite, export director of the IAA, said the deal under discussion with U.S. fuel distributors would not present any problems for the Brazilian industry in supplying this year, even though its production had not been planned. If necessary, he said, surplus sugar stocks could be converted into ethanol.

Brazil expects to produce 11bn litres of ethanol this year from sugar cane. But its export prospects have been threatened by two anti-dumping cases brought in the U.S. by U.S. ethanol producers led by Archer Daniels Midland.

Alan Friedman in Milan examines claims of a so-called helpful 'Italian connection' with New Delhi  
Snamprogetti stays with its winning Indian formula

ON THE outskirts of Milan, at the group headquarters of Snamprogetti, the Italian state-owned engineering company which has had a string of successful contracts in India, the Indian Prime Minister's wife is in the city.

Nothing personal, you understand: it is simply that the Indian Prime Minister's wife is Italian, and for the past few months there have been constant allegations in India and from other countries that this so-called "Italian connection" helps companies from Italy to win contracts.

Nothing could be further from the truth as far as Snamprogetti is concerned. The company says it has been in the Indian market since 1980 and has completed 18 projects ranging from pipelines and lubricating oil refineries to fertiliser plants. "We are selected for contracts when our tenders are lower-priced than those from Japanese or other bidders," says one senior executive.

The Italian company's reputation in areas such as ammonia or urea fertiliser plant construction is considered to be among the best in the world. Snamprogetti also has a useful policy of trying to subcontract as much as possible to Indian companies, in rupees.

Nonetheless, the controversy



Duilio Greppi—Snamprogetti chairman

has raged on, especially in the Indian Parliament. Snamprogetti recently won two big orders for two fertiliser plants with a combined value of more than \$1bn (\$714.2m). It is thought to be a strong contender for the turkey construction of the 1,700 km Hazrat Nizamuddin-Jaipur (HBJ) gas pipeline to feed six fertiliser plants. The allegations

continue.

Snamprogetti has a sophisticated package approach to the Indian market which may even offer lessons to other plant engineering operators in the sub-continent.

What is the Snamprogetti package? The first advantage it enjoys is that for five years it has dealt with the Indian Government and with private sector magnates such as Mr K. K. Birla, chairman of Zuari Agro Chemicals. The company's first big investment in India was the \$1.7bn Hazrat Nizamuddin-Jaipur (HBJ) gas pipeline, which has been completed; it has won 11 fertiliser contracts since 1975.

Fundamentally, however, Snamprogetti is willing to do three things in India which make its package appealing to both politicians and industrialists. First, it offers large portions of the contracts to Indian companies; in the case of the HBJ pipeline proposal, something like 60 per cent of the work. Second, the company is willing to offer technology transfer to India, which helps to offset domestic objections to foreign contracting. Thirdly, Snamprogetti tries sometimes to take an equity stake in the project alongside Government or private Indian investors.

Duilio Greppi, chairman of Snamprogetti, says this serves two purposes: it proves the company's faith in the profit

potential of a project, and also "we make money on fertiliser plants in India because they generally go to 100 per cent capacity right away."

Controversy over the proposed HBJ pipeline is a different matter: more than anything else it seems to be an example of the kind of political debate which can erupt in a developing country with conflicting views on who proceed on major projects.

For the past two years, the Department of Petroleum in New Delhi has been discussing the HBJ pipeline on the basis of a \$1.7bn estimate by the state company Engineering India Ltd (EIL) for a set of seven different contracts. This piecemeal approach would have divided the project into sections such as the pipes, supply, construction, supply of storage, compressor stations and other parts.

Snamprogetti offered its own solution in April last year. The \$1.2bn proposal was framed as a consortium of Snamprogetti,

show a comparative 15.6 per cent rise. Total Italian machine tools sales for the whole of last year were \$1,750bn (\$676m), of which exports accounted for 56 per cent. Italy is the world's fifth largest producer of machine tools.

Uetman yesterday placed particular blame on the Italian Government for having allowed an lucrative grant programme designed to stimulate the sector. Law 696 provided around \$150bn of grants to industrial companies wishing to buy machine tools at home and receive a grant of 25 per cent of the purchase price.

Now that India has decided on a turnkey project instead of piecemeal tenders, Snamprogetti stands a better chance of winning the important HBJ deal. If the Italian company is successful, allegation of the "Italian connection" will re-emerge. But as Mr Greppi puts it: "there are no Indians in the UK than we have Italians in India," to which another Snamprogetti executive adds: "I am irritated. There is no body Snamprogetti who has any connection with Mrs Gandhi. The entire thing is nonsense."

its sister pipeline company Salpem, C. Iich and the Japan Gasoline Corporation (JGC) and Dodsai, an Indian construction group. In August 1984, Snamprogetti submitted a revised offer down to \$36m. The company says it did "a better cost evaluation" by excluding compressor stations from its proposal and finding pipes which cost 30 per cent less.

Snamprogetti says there is nothing unusual about the fact that in January this year it proposed a third revised package, this time for \$63m. "The pipe costs came down again as we talked to new suppliers and we also allocated more work to Indian subcontractors," explains a senior Snamprogetti executive.

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## India awards pipeline contracts

By K. K. Sharma in New Delhi

Companies from four countries have been awarded Indian Government contracts worth \$225m (\$158m) in supply pipelines for the 1,700 km Hazrat Nizamuddin-Jaipur (HBJ) gas pipeline which will serve six gas-based fertiliser plants in northern and central India.

A consortium of five Japanese companies—Sumitomo, C. Itoh, Marubeni, Ishihara and Marubeni—has won the \$94m contracts to supply 374 km of 36-inch pipelines for the project. More than 20 groups bid separately for the project.

Perhas Commercials International of Brazil has won the contract to supply 287 km of 36-inch pipes worth \$51.32m. The West German group Bergström will supply 360 km of 36-inch pipes worth \$55.25m.

It has also won the contract to supply 11 km of casings pipes worth \$1.15m. The Italian company Siderco has been awarded the contract to supply 316 km of 24-inch pipes worth \$32.49m. All contracts have been won by companies based on credit offered by their countries' governments. Supply of pipes is to begin in about five months and will be completed by January 1987.

The turnkey contractor, to be selected by the end of the year, will put protective coatings on the pipeline. The government-owned steel authority of India is expected to supply 16-inch pipes for the project.

The government-owned steel authority of India is expected to supply 16-inch pipes for the project.

## Short Brothers wins Thai order

SHORT BROTHERS, the Belfast aircraft manufacturer, has won an order worth about \$2m for two of its 36-seat Series 360 twin-engine turboprop airliners from Thai Airways, the national domestic airline of Thailand, writes Michael Doone, Aerospace Correspondent.

It follows earlier orders from Thailand for four of the smaller Short 330 34-seat airliners, already in service, and for four of the military version of the 330, already in service with the Thai Police and Thai Army.

## Biwater wins \$5m Iraq sewer contract

BIWATER Shellbear International of the UK has won a \$5m contract to extend a sewerage treatment works in Rustamiyah, Iraq, our trade staff writes.

The contract is the second of its size in Iraq won by Biwater in recent years, and is the latest in about 15 years of business activity in the country.

The main contractor is the State Contracting Company for Water and Sewage Projects. On behalf of the Baghdad Sewerage Board, John Baile consultants will supervise construction of a large, reinforced concrete sewer and main lift pumping station.

Mr Tony Scowen, project manager for Biwater, said that there has been a surge in building and equipment supply contracts for sewage treatment facilities in the Third World in recent years.

GATT COUNCIL MEETING  
Brazil, EEC attack shoe quota

BY WILLIAM DUFFLORCE IN GENEVA

THE EEC and Brazil, the main opposing sides on the crucial issue of whether or not new multilateral trade talks should be held, yesterday joined forces against the U.S. in the council of the General Agreement on Tariffs and Trade (GATT).

Both strongly condemned a recommendation by the U.S. International Trade Commission (ITC) that a quota of 474m pairs a year be imposed on U.S. imports of non-rubber footwear with a maximum value of over \$2.50 a pair.

Last year the U.S. imported 725m pairs of shoes and other non-rubber footwear to a value of \$1.6bn against 552m pairs worth \$3.7bn in 1983.

The ITC decided in June that imports were running at a level which constituted a "substantial cause of serious injury" to the domestic shoe industry.

President Ronald Reagan has until the end of August to decide whether or not the import relief recommended by the ITC should be allowed.

The EEC calculates that the loss of trade to the Communist Bloc from the proposed quota could amount to \$195m (\$139m) in the first year, of which \$94m would apply to Spain.

Mr Tran Van-Thinh, the EEC ambassador, warned that, if the ITC recommendation was accepted, the EEC would be the only remaining open market in the world for footwear. The Community might well feel forced both to take counter-measures against the U.S. and to protect itself against the surplus production from other countries left on the world market. Mr Tran warned that agencies said: Asia's big textile exporters, smarting from

curbs on their goods by importers nations, are expected to accept a new Multi-Fibre Arrangement (MFA) despite blaming it for some of their biggest trade problems.

But government and industry officials throughout the region said they met in Geneva on July 22. The agreement, which governs the world's textile trade, is to expire in mid-1986. It is unrealistic to expect the dismantling of the MFA," said Mr Kenneth Fung, a Hong Kong executive who advises the government on textile policy.

South Korean traders also reacted sharply yesterday to the 25 per cent surcharge being proposed by U.S. Congressional Democrats on imports from four nations, calling it an "undesirable protectionist move."



## UK NEWS

## Statutory body for City 'may be needed'

THE GOVERNMENT should not hesitate to introduce a statutory Securities and Exchange body to take over direct responsibility for the financial markets if its proposed system of self regulation is abused. That is the conclusion of a paper published today by the Conservative Bow Group on The City Revolution.

The pressure group's paper recommends the setting up of a single investment board rather than the two separate boards - covering investment markets and the marketing of life assurance - which were suggested in the Government's recent White Paper (policy document). It also goes further than the White Paper in its recommendation that the investment industry should be subject to legal control.

Contrary to the current view of the regulatory authorities, the paper says that the Takeover Panel should be given statutory backing. It makes a number of controversial proposals aimed at checking the potential conflicts of interests within the financial conglomerates that are being formed in the London markets.

Written investment research should disclose whether the firm acts for, or makes a market in, the security under review, and show the approximate size of its position at the time of the report.

The level at which investment institutions are obliged to disclose total shareholdings of their discretionary investment clients should be reduced from 15 per cent to 5 per cent of a company's shares.

Investment managers should not be allowed to vote shares held by their nominee companies without formal reference to the beneficial owner in cases where their firm is also acting in takeover bids or other corporate activity concerning the company.

The City Revolution - *Gentlemen versus Players*. Bow Group Publications, 240 High Holborn, London WC1V 7DT, £4.00.

BANK lending to the private sector rose by an underpinning £1.4bn in the five weeks to mid-June. This rise, though relatively high in relation to the Government's monetary targets, is below the average rate of increase over the last year.

Full banking figures, issued yesterday, showed that clearing M3, the broad measure of the money supply, which includes cash and bank deposits, rose by 2 per cent in June.

SHARES of Sumitomo Clothing, the Leeds-based clothing company, fell sharply on the London Stock Exchange after allegations made in the House of Commons about its chairman's involvement with heavy losses at Johnson Matthey Bankers. The shares closed with a loss of 6p at 30p, after having touched 28p.

Mr Michael Hepker, the chairman, was said by Mr Brian Sedgmore, MP, to have led Bank of England auditors "up the garden path" in connection with allegedly fraudulent loans to an offshore investment company.

Directors of Sumitomo Clothing put out a statement saying that to the best of their knowledge, the company had never had any relationship, banking or otherwise, with JMB.

CONSUMER spending picked up briskly in the three months to June, after more than a year of stagnation, according to official figures.

The estimates from the Central Statistical Office, suggested that consumers spend 2 per cent more in real terms in the second quarter, compared with the level in the first three months of the year. Last year consumer spending was only 1.6 per cent higher than in 1983, although the Treasury had predicted growth of 3 per cent in its 1984 budget forecast.

ITALIAN steel fabricators have been taking losses to win contracts in the UK and provide the main foreign threat to domestic contractors, according to surveys by the National Economic Development Office (NEDO).

The Process Plant Economic Development Council will decide at its meeting today whether the findings justify an approach to the EEC. NEDO sent two separate questionnaires to 11 contractors and 24 fabricators after complaints that Italian companies were quoting prices as much as 50 per cent below those of the cheapest UK bidder.

ICL, the British mainframe computer company, has won orders worth £18m for its One-Per-Desk (OPD) terminal. The OPD, which combines a personal computer with an advanced telephone, was regarded as a critical new product in the company's recovery programme when it was launched late last year.

Total orders for the terminal are now worth over £30m, according to ICL. Latest orders include one for £1.5m from the New Zealand Post Office and £4.5m from a number of distributors in South Africa.

MANAGEMENT and unions at Shell Chemicals' production works at Carrington, near Manchester, have agreed a deal which cuts jobs by more than half but preserves the plant. There will be joint collaboration on redeployment of redundant staff elsewhere in the industry.

## Clash over pay awards agreed for top earners

BY DAVID BRINDLE AND PETER RIDDELL

THE GOVERNMENT faces demands for a full House of Commons statement after a row last night provoked by the announcement of substantial pay rises for senior civil servants, top military officers and the judiciary.

Under the awards, recommended by Lord Plowden's Review Body on Top Salaries, the pay bill will rise in a full year by 12.2 per cent for senior civil servants, by 17.6 per cent for senior military officers and by 16.3 per cent for judges.

The awards will be delayed and phased to mitigate the effect in the present financial year. However, criticism was directed at some of the larger overall increases proposed by the review body to narrow the gap between the public and private sectors.

Among these, the most spectacular is a cumulative rise of more than 48 per cent in the salary of the Head of the Home Civil Service, presently Sir Robert Armstrong, taking the figure from £51,250 to £75,000 by next March.

Critics pointed to the fact that the announcement came 24 hours after the Government removed 300,000 young workers from the protection of wages councils which set minimum pay rates for the low paid. Mr Rodney Bickerstaffe, general secretary of the National Union of Public Employees, called the contrast "a staggering obscenity."

Also dismayed were local authority employers who are trying to persuade the teachers' unions to accept a pay rise of 6 per cent this year and 7.4 per cent in a full year. With the unions due to meet next Tuesday, the position was believed to be extremely delicate.

Because of the phasing of the top salary awards, the Prime Minister was able to put a relatively moderate gloss on the figures. She said the costs could be absorbed within existing public expenditure provisions and cash limits in 1985-86.

On the Government's calculations, the average increases this year will be: 5.1 per cent for senior civil servants, 7.3 per cent for senior officers in the armed forces and 7.1 per cent for the judiciary.

Mr Thatcher said the Government accepted the view that the public service should offer a career pay structure which would attract people of high quality.

Under the Government's arrangements for implementation, they will be paid in instalments: half or at least 5 per cent from July 1, with the balance from March 1 next year.

target company equally. Discriminatory or selective bids were considered perfectly acceptable and normal.

There was also the key question in the U.S. of economic viability. Company directors had to ask themselves if the target company - not just the shareholders - was well served by the bid.

Such considerations could, however, be in the interests of shareholders, because a successful resistance to a bid led by a board of directors frequently resulted in a rise in the share price of the company under attack.

In Britain, by contrast, London lawyer Mr Michael Pescod said, "victim" companies tended to run off to the City Panel on Takeovers and Mergers in the hope of a reference to the Monopolies and Mergers Commission.

"I spend a lot of my time in the boardrooms of UK target companies persuading frightened directors that it is the shareholders who own the company," Mr Pescod said.

Mr Peter Lee, a member of the Takeover Panel, said this had to be understood because in England the target company was not the shareholders.

An effective system of international commercial arbitration was important to aid world trade, and world trade was one of the building blocks of world peace, he said. For that reason the problem of arbitration delays had a significance beyond the concerns and costs of particular litigants.

U.S. legal procedures for dealing with compensation claims by chemical pollution victims were compared unfavourably with the British system.

Mr David Higgins, a partner in City solicitors Herbert Smith & Co, said the English system struck a

reasonable balance between justice for the few - in the shape of compensation - and justice for the many, in the shape of unimpeded economic activity.

Such a balance, Mr Higgins suggested, was not struck in the U.S. where there seemed to be such a plethora of claims - many of them unmeritorious - that the system was unable to cope.

The problem appeared to be procedural defects, he said. He cited the use of the contingency fee system, rather than a properly constituted legal aid system and the failure to allow attorneys' fees and disbursements to be awarded against the losing side.

Also, the liberal rules of discovery - governing the disclosure of relevant documents and evidence - allowed "fishing expeditions" to the point where "I can sue you and then you have to tell me why," he said.

## Saudi investors build up TI stake

By Martin Dickson

EVERED HOLDINGS, a small engineering company based near London, and a group of private Saudi Arabian investors, emerged yesterday as the unexpected holders of an 11.8 per cent stake in TI Group, the major UK engineering company that has been the subject of bid rumours for months.

Mr Raschid Abdullah, Evered's chairman, said the holding was a "strategic investment." Asked if it might be the prelude to a bid, he said: "We're very open-minded about the holding. The purpose is to make money for Evered and that is the overriding factor."

Mr Ronny Utiger, chairman of TI, said that he was "suspending judgement. I don't feel I know enough about their intentions," he said. "Given the size of Evered and the progress we have made since the start of the year in putting our house in order, I find the whole thing difficult to get to the bottom of."

Evered said yesterday that it owned 6m TI shares itself - 6.73 per cent of the equity - while 10 other parties representing the interests of various Saudi families held the remaining 4.87 per cent.

The group is likely to have paid up to £20m for its holding. TI shares closed last night at 296p, up 10p on the day.

## Japanese may make joint offer for Nissan car importer

BY KENNETH GOODING AND CARLA RAPOPORT

NISSAN, the second-largest Japanese car maker, is believed to be in talks with Mitsui, one of Japan's leading trading companies, about a joint offer for Nissan UK, the privately owned import company in Britain.

Nissan executives in Tokyo refused to comment yesterday. However, it is believed the two companies are planning to offer about ¥500bn (£150m) for Nissan UK, which has a network of 430 dealers throughout Britain.

A Nissan executive said yesterday: "Nissan is working on reshaping and enhancing sales networks in the UK in advance of the local production of Nissan cars next year." He declined to elaborate.

Nissan will begin producing 24,000 units a year in Britain by next summer, which may rise to 100,000 units by 1990 if expansion plans go ahead.

The reported talks between Nissan and Mitsui have come as a surprise as Mitsui has traditionally been linked with Toyota in overseas markets, while Nissan has worked with Marubeni. Mitsui, however, is apparently anxious to increase its car sales network which is much smaller than Marubeni's.

According to reports in the Japanese press, Nissan will take a 51 per cent stake in Nissan UK, with Mitsui holding the balance.

Mr Octav Botnar, who built up Nissan (formerly Datsun) car sales in Britain until they accounted for about 6 per cent of the market, or

105,000 a year, since he acquired the import company in 1970, is on holiday and was not available for comment yesterday.

However, he has in the past made it quite clear he would be willing to sell to Nissan. "I would not let my personal feelings get in the way because I am sure that the transfer of the business to Nissan would be best for the employees and dealers," he has said.

Mr Botnar, now a West German citizen, is well into his 70s but still keeps tight control as chairman of Nissan UK. The latest accounts to be filed for the year to July 31 1983, showed a net profit of £26m on sales of £382.4m compared with £27.3m on a £317.8m turnover the previous year.

Earlier this week, efforts by the seven-nation Western European Union to co-ordinate views on European participation broke down over Anglo-French differences on the issue. France opposes SDI on technological and strategic grounds.

Officials from Britain, France, Germany, Italy and the Benelux states failed to agree a report on such co-ordination that had been commissioned by ministers last April.

That was the official time, although the man from Britain's National Railway Museum, whose figures are treated as gospel by Railway Magazine - the Bible of these things - timed it at 20 seconds longer, which he said brought the speed down to 107.5mph.

It failed by a shade, in any case, to match the fastest run in Britain, an average of 112.8mph for the 117½ miles between Puddington and Bristol's Temple Meads station, set a few years ago by a special train organised for a television programme.

But the run pleased the Welsh Development Agency which has been lobbying for some time for a non-stop flyer between London and Cardiff. It also pleased the tourist chiefs, even if their visitors were greeted with a typical downpour of Welsh rain.

It probably also pleased Isambard Brunel, too. If the great railway builder had not laid down the straight track 150 years ago the record could not have been attempted, let alone beaten.

The only person who seemed slightly puzzled by all the official announcements and railway buffs with their stopwatch was the man from the Bank of Tokyo, for whom it must have been small beer.

On Japan's bullet train, he is quite used to travelling the 383 miles between Tokyo and Osaka in three hours. That includes two stops, though he only mentioned that in passing.

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HOUSTON, TEXAS  
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## A 108mph boost for fast track to Wales

By Anthony Moreton in Cardiff

BRITISH RAIL yesterday put all thoughts of huge losses behind it and did what it always says it can do best of all - run trains very fast.

Accompanied by the usual media circus that graces such events, it broke by a comfortable margin the speed record for a run between London's Paddington station and Cardiff, the Welsh capital.

A special train, commissioned by the Wales Tourist Board and the Welsh Development Agency and full of the sort of people, such as Japanese and West German businessmen, that both bodies would like to attract to Wales, covered the 145.1 miles in 80½ minutes, an average speed of 108mph. The run knocked 20 minutes off the previous best time.

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## U.S. takeover laws 'protect boards'

BY WALTER ELLIS AND RAYMOND HUGHES

U.S. TAKEOVER laws were designed to protect the board of the target company, not the stockholders. In the UK, shareholders were consulted throughout, and it was their decision which finally decided the issue.

That was the essential difference between U.S. and British law on takeovers, according to an American Bank Association seminar conducted yesterday by takeover experts from both sides of the Atlantic.

Mr John Huber, director of the corporate finance division of the Securities and Exchange Commission (SEC) in Washington, said U.S. boards had the right and the duty to protect the integrity of their enterprise.

Mr Marty Lipton, a leading New York company law attorney, said the U.S. system with its lack of shareholder control, did not require bidders to treat shareholders in the

target company equally. Discriminatory or selective bids were considered perfectly acceptable and normal.

There was also the key question in the U.S. of economic viability. Company directors had to ask themselves if the target company - not just the shareholders - was well served by the bid.

Such considerations could, however, be in the interests of shareholders, because a successful resistance to a bid led by a board of directors frequently resulted in a rise in the share price of the company under attack.

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TRANSO ENERGY COMPANY  
HOUSTON, TEXAS  
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## END OF A DISTINCTIVE BRAND OF BROADCASTING PHILOSOPHY

## BBC comes to terms with its financial crisis

THE OLD BBC joke that when they play musical chairs at the corporation each time the music stops another chair is always added will have to be revised, writes Raymond Snoddy.

For the first time an organisation where redundancy has been an almost unheard of concept and staff numbers have grown inexorably over the years with the expansion of broadcasting, is contemplating losing up to 4,000 of the 25,500 staff financed from the licence fee.

The financial crisis which resulted from the recent award of a £58 colour television licence fee rather than the £55 asked for - a shortfall of £330m over three years - has not just resulted in painful decisions on employment. It also marks the end of a distinctive BBC brand of philosophy - some would say arrogance - that only things produced in-house

by staff, whether studio, design, a new camera or a television programme, will be up to the BBC standard.

"The BBC has always taken a great pride in designing and manufacturing. Now in the contemporary world we don't need to do it as much as we used to. We can go out into the market and buy off the shelf," says Mr Alastair Milne, the BBC director general.

One result of the changes announced on Wednesday will be that 1,000 engineering jobs are going, although the research and development effort will be enhanced.

The BBC will no longer manufacture such things as amplifiers and sound boards to its own specifications in its electronics factory in Chiswick West London.

At the same time, a similar though less drastic change will repeat some of its claims for the machine, on the grounds that they were exaggerated or unproven.

Potentially one of the biggest problems facing Sir Clive, who has sunk £7m of his own money into the venture, is a writ from Hoover, the domestic appliance maker, issued against Sir Clive personally, claiming £1.535m for work carried out on the vehicle at Hoover's Merthyr Tydfil, South Wales, washing machine plant where the C5 is assembled.

The writ was issued several weeks ago, but has yet to be served, perhaps indicating that Hoover itself is reluctant formally to initiate moves which could risk finally killing the venture off. Sir Clive himself has been on holiday in the U.S. since the beginning of last week, and is due to return at the weekend.

In his absence, a Sinclair Vehicles spokesman said that, if served, the writ would be contested vigorously.

The company insists that production will continue at its current rate of 100 a week - 10 per cent of the originally envisaged first-year level - while plans to take the vehicle to export markets are finalised.

THE RECOVERY in Britain's basic metal-bashing industries in the past year has been encouraging, but the big question remains whether they still have the capacity and the energy for new growth.

Some companies may well have cut too much capacity and others may be unwilling to make the investments needed to maintain their competitiveness. But there are instances of companies taking a more positive view.

In the case of Delta, which has a wire and cable business based at Llanelli, South Wales, the decision was taken to increase wire-making capacity by 40 per cent.

Wire is about as basic a metal-bashing business as you can get. It starts with a bar of copper, which is then rolled into wire rod and ultimately into fine wire. The wire is then coated in plastic, before and/or after having been entwined with other wires to make telecommunications and electrical cables.

Delta is one of four vertically integrated producers in Britain, the others being BICC, Pirelli and GEC. They all have roughly equal shares in the overall cable market.

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## New techniques save up to 20% of production costs

## Delta pulls the right wires

BY IAN RODGER

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tor became a problem in the early 1980s. There was almost no growth in home demand and no chance of dislodging one of the other competitors. Meanwhile, imports of wire and cable from other European countries were taking an increasing share.

Mr Henry Lee, director of Delta's cables division, says annual wire imports doubled to 7,500 tonnes between 1980 and 1984 and now account for about a fifth of the free market.

Most of the 240,000 tonnes of wire consumed in the UK annually is produced internally by the integrated groups, leaving only a relatively small free, or open, market.

The group knew that the only way to get ahead of the imports was to invest in new plant to reduce its costs, but import substitution alone would not justify the investment. The directors then heard about a new wire packing process that might give the group enough of a cost edge to sell wire in export markets as well.

They also studied the state of the industry around Europe and concluded that there was an opportu-

through," Mr Checkland said.

A four-man team, under the chairman of Mr Buck and including Mr Checkland, Mr David Hatch, controller of Radio 4, and Mr Geraint Stanley Jones, controller of BBC Wales, were given a month - 18 working days - to come up with an outline for the future of the BBC.

They toured every part of the organisation to question all the basic assumptions about what people were doing and why. The plan, designed to move people out of the central bureaucracy, go to the open market for services when it makes economic sense to do so and concentrate resources on programmes, came before the board of governors in a meeting last weekend.

After 15 hours of discussions the governors endorsed probably the most fundamental shake-up the corporation has ever undergone.

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## TECHNOLOGY

# Users call the tune in contest over common standards for computing

Geoffrey Charlish examines a fresh view of the OSI debate

THE VIEW that common standards for linking computers and terminals from different makers — the "open systems interconnect" or OSI initiative — will soon be widely accepted is challenged by a recent report.

Those following the debate may feel the battle has been essentially between mostly major U.S. computer companies like IBM and DEC, with thousands of installations of their proprietary networks, and the official mostly European standards — making bodies supported by the smaller suppliers.

But according to the Butler Cox Foundation, a management consultancy specialising in information technology, the user community has yet to reach firm conclusions. For example, most of those already using a single proprietary network thought the majority of their interconnection worries had been taken care of. They believed the OSI initiative had little relevance to them.

However, just over half the user organisations interviewed supported the OSI initiative. They looked forward to the day when their choice of computer could be based on performance and fitness for the job rather than its ability to interwork with their existing systems.

Interworking is becoming increasingly important as more companies base their activities on computers, both within companies and between companies and their suppliers and customers.

They have three options. Some have accepted multi-standard communications, with interworking where necessary via conversion software. Others have universally adopted one

proprietary solution, like IBM's systems network architecture (SNA), while a third group have decided to wait for the OSI standards to emerge from the International Standards Organisation (ISO).

Whatever the choice, Butler Cox points out that corporate networks are expensive to build and take a long time to implement. A long-term commitment to a particular network

According to the report, these problems have caused many organisations to drop the multi-standard idea and adopt a proprietary network — and the trend will continue. But the drawbacks of the proprietary solution are well enough known: the user can become locked in to a specific supplier's products (and his prices), he usually cannot influence a large supplier's

Standards for the two lower levels exist and are approaching, or are at draft international stage for the other levels of the seven layer model. Butler Cox expects that electronic mail products will be the first to be based on the full seven layer model, becoming available this year or in 1986.

Mainstream data processing products should follow two years later. They will be proprietary networks based on OSI standards and OSI gateways between proprietary networks.

There is a good deal of support in principle for the OSI idea. In April, Butler Cox held a seminar at which 80 senior information managers debated the question: "This house believes that OSI is a distraction." It was defeated by a substantial majority.

Even so, problems are identified. For example, an innovation product can be incorporated into a supplier's range more quickly than a standard can be developed and incorporated into hardware and software. Standards need international agreement which is not easily reached if there are conflicting national interests. Suppliers, too, are likely to protect their own interests.

The report also dispels the idea that OSI-based products necessarily will be built to a standard.

It says: "There will always be difficulties in linking the different suppliers' versions."

But the report suggests that despite the present uncertainties, in the long term OSI will succeed simply because of the weight of backing from European governments.

Network Architectures for Interconnecting Systems; Butler Cox Foundation; 01-631 0101.

PROPRIETARY NETWORKING SYSTEMS	
Supplier	Network Architecture
Barrington	Barrington Network Architecture (BNA)
Digital Equipment Corporation	Digital Network Architecture (DNA) (Implemented as DECnet)
Hewlett-Packard	Distributed Systems Network (Implemented as AdvantNet)
Honeywell/Bull	Distributed Systems Architecture (DSA)
IBM	System Network Architecture (SNA)
ICL	Information Processing Architecture (IPA)
Sperry	Distributed Communications Architecture (DCA)

approach is necessary and the effects of decisions taken today could still be felt in 10 or 15 years' time.

The two existing approaches have various pros and cons. The multi-standard idea suffers from the fact that the number of user functions that can be achieved may be limited due to restrictions on the applications and databases that can be accessed by a particular terminal. The scope for sharing resources (computing power, bulk storage, printers) is often reduced, impairing the network if some crucial facility is not available.

The need to employ staff familiar with more than one approach can push up costs, as can the difficulty of allocating fault responsibility to a specific supplier.

polices, and he might have obtained a better product elsewhere.

The main advantage of multi-standard working remains: the user is able to select the best supplier for specific parts of his system. The approach is particularly suitable for companies with decentralised operations, giving autonomous business units the freedom to install the computer systems they want.

Although the report is careful not to come down in favour of any of the approaches, it provides an excellent appreciation of them, including an easily understood explanation of the ISO seven layer model for open systems interconnect.

It also indicates how far the European initiative has moved in producing useable standards.

## Day robots will take humans for walkies...

JUST AS PUNDITS ten years ago were predicting accurately as it turned out, that households would contain items that in corporate microprocessors, so now there are predictions that within a few years the home will have a number of small robots, one to mow the grass, one to vacuum the carpet and so on.

Richard Pawson, in his recently published Robot Book (Windward, £7.95) argues that the true general purpose household robot will probably never exist.

The robot industry today is selling devices which it claims can act as a watchdog for burglars, vacuum the carpet or fetch a beer from the fridge. Mr Pawson writes: "Even if these applications do appeal to you, they are actually quite impractical using current technology."

"The robot arm might be able to carry a can of beer, but it certainly could not cope with most fridge doors."

But he sees a sound future for robot pets: "Within five years," he claims, "robot pets will be widespread. They will not need house-training, but they could be programmed to need exercise, to encourage children or the elderly to get out of doors."

Mr Pawson's book is lavishly illustrated and is more of a pictorial introduction to the robotics field than an academic text. But it does have useful sections on the way robots work and their interaction with computer systems.

The book shows there is little new in the world of robots. In the eighteenth century, Jacques Vaucanson anticipated the notion of robot pets by developing a mechanical duck which could take in grain, digest and excrete it.

## Making waves with microwave guides

BY PETER MARSH

MICROWAVE guides—small pieces of metal which are constructed rather like chunks of Gruyere cheese—are playing an important part in a range of applications from relaying satellite messages to unscrambling radar images.

The components filter or merge microwaves—electromagnetic radiation with a frequency between 1GHz and 20 GHz that features in satellite communications and military systems.

The pieces of metal, which can cost between £20 and £30,000, contain networks of tubes and cavities through which the waves propagate. They rely for their performance on the shape and layout of the cavities and the size and positioning of physical stops and screws which channel the waves in different directions.

Two companies stepping up development in Britain of microwave guides are Com Dev, a Canadian enterprise which ear-

ly to Selenia of Italy (for Italy's national telecommunications satellite) and to Dornier of West Germany, which is building an ESA remote-sensing satellite due to be launched in the late 1980s.

Initially the British subsidiary will aim simply to design components for specific satellite applications, leaving manufacture either to the Canadian parent company or to subcontractors.

Production of microwave components is a precise activity, requiring techniques such as computerised machining to define small incisions (of perhaps 20 micrometres in dimensions) in a metal block.

The devices are often designed with the help of computers. For many satellite applications, the microwave components must be custom built to meet the specific requirements of the space vehicle.

The managing director of Com Dev's British subsidiary is Mr Bernard Edleston, formerly head of the Olympus programme at British Aerospace. Technical director is Mr Richard Cameron, who previously worked for the European Space Agency.

Filtromic Components was established by Professor David Rhodes of Leeds University, who remains at that institution while holding the post of technical director of the company. It has annual sales of £1.5m and a staff of 80.

The British company sells microwave components mainly to the telecommunications and defence industries. For instance, it is supplying devices that fit inside telephone handsets for the transmission and reception of cellular radio.

Another application is in deciphering complex patterns of microwave signals, which



lier this year set up a UK subsidiary, and Filtromic Components, based in Shipley, Yorkshire.

Com Dev, which employs 220 people in Cambridge, Ontario, and has annual sales of C\$21m, specialises in microwave components for communications satellites.

The company, whose UK subsidiary is in Tring, Hertfordshire, has supplied microwave devices to the makers of 34 satellites in orbit. Customers include giants of the U.S. aerospace industry such as Ford, Hughes and RCA.

The main job of microwave components for satellites is to act as a bridge between the amplifiers on the vehicles that boost the power of radio signals and the antennas that receive signals from ground stations and retransmit them.

In the input stage to the satellite, the devices merge, or multiplex, signals of different frequencies transmitted by separate channels from the Earth station. This facilitates the amplification or processing of the signals by other equipment on the satellite.

In the transmission stage on a space vehicle, the microwave components filter out signals of all but a specific frequency so that the radio waves can be received by an antenna on Earth tuned to that particular part of spectrum.

Com Dev is supplying microwave equipment that will feature on the European Space Agency's Olympus satellites. British Aerospace is the main contractor for this programme. It is also providing hardware

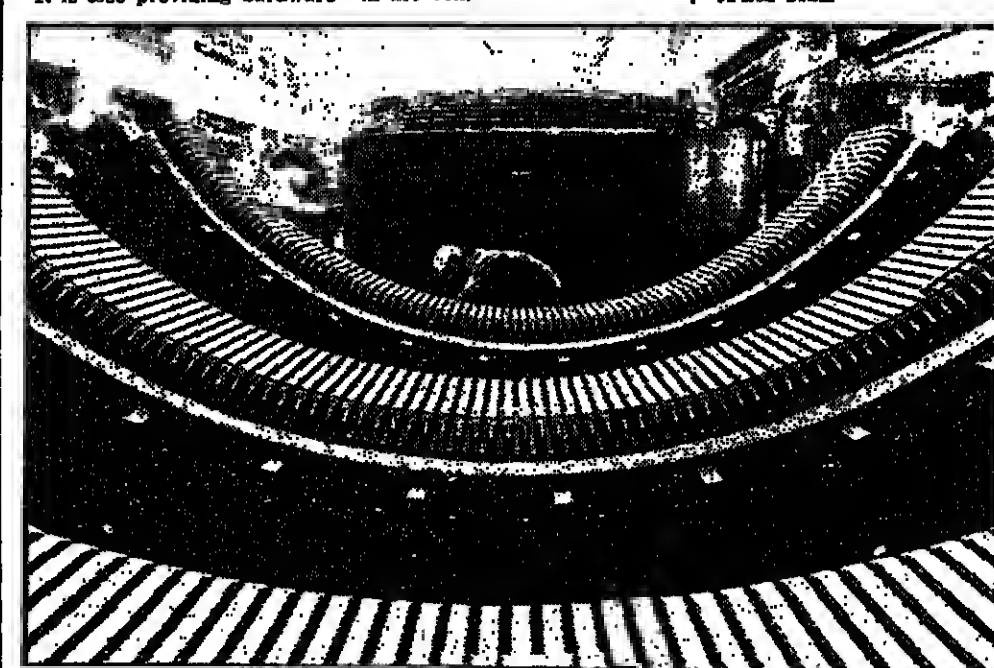


emanate, for example, from equipment that picks out the movement of aircraft or spacecraft with radar.

Besides selling the conventional form of microwave devices, Filtromic Components is also developing a relatively new kind of component called a suspended strip-line substrate.

This consists of a printed-circuit board sandwiched in an aluminium box with a layer of air either side. Tracks are etched onto the surface of the board.

Combinations of waves can be filtered by passing them through the box. The exact route of the signals through the system depends on the dimensions of the tracks and the sizes of the various layers in the box.



PART OF a giant 35,000kW generator being made by Siemens in Berlin for a hydro-electric power station near Mandalay in central Burma.

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## FINANCIAL TIMES SURVEY

Friday July 19 1985

## Office Property

Returns are rising faster than inflation for the first time since 1979, as growth in high-tech occupiers and financial services feeds a selective revival in demand for quality floorspace

## Recovery boosts rents

By William Cochrane

THERE HAS been a demand-led recovery in the UK office property market over the past year or so and rents, for the first time since 1979, have grown faster than the rate of inflation. These rose by 6.3 per cent in the year to June compared with a 5.4 per cent increase in retail prices, according to the annual survey of 40 office centres by agents Debenham Tewson & Chinnocks.

"This growth is spread over 31 centres compared with 21 in 1984 and only 18 in 1983," they said. "While this indicates a more widespread pattern, certain blackspots remain; some inner London boroughs continue to experience depressed conditions as do most northern centres and the East Midlands."

The rise in rents partly reflects the selective recovery in the economy which has been concentrated on the service sector.

"Using employment as a measure of economic activity, it is evident that office-based

activities such as business services, banking, insurance and professional services have suffered least in the recession and have moved into an expansionary position earlier than production activities," says the report.

Jones Lang Wootton, another leading firm of agents, said in a study of 50 centres over the 18 months to March 1985 that banking and finance, insurance and business services had accounted for 42 per cent of office take-up in terms of units and 39 per cent of floorspace.

Mr Ian Thurman, senior analyst with J.L.W. Research, went deeper, saying the trend illustrated the importance of high technology occupiers.

This group, including the office machinery, data processing equipment, electronic and electrical engineering sectors, accounted for up to 15 per cent of units and 18 per cent of floorspace taken. Transport also showed some strength, absorbing 25 per cent of floorspace taken outside the south-east. But public administration and other services, were affected by control of public expenditure, taking 10 per cent of the floor space in the 50 centres, and only 8 per cent of floorspace throughout the south-east.

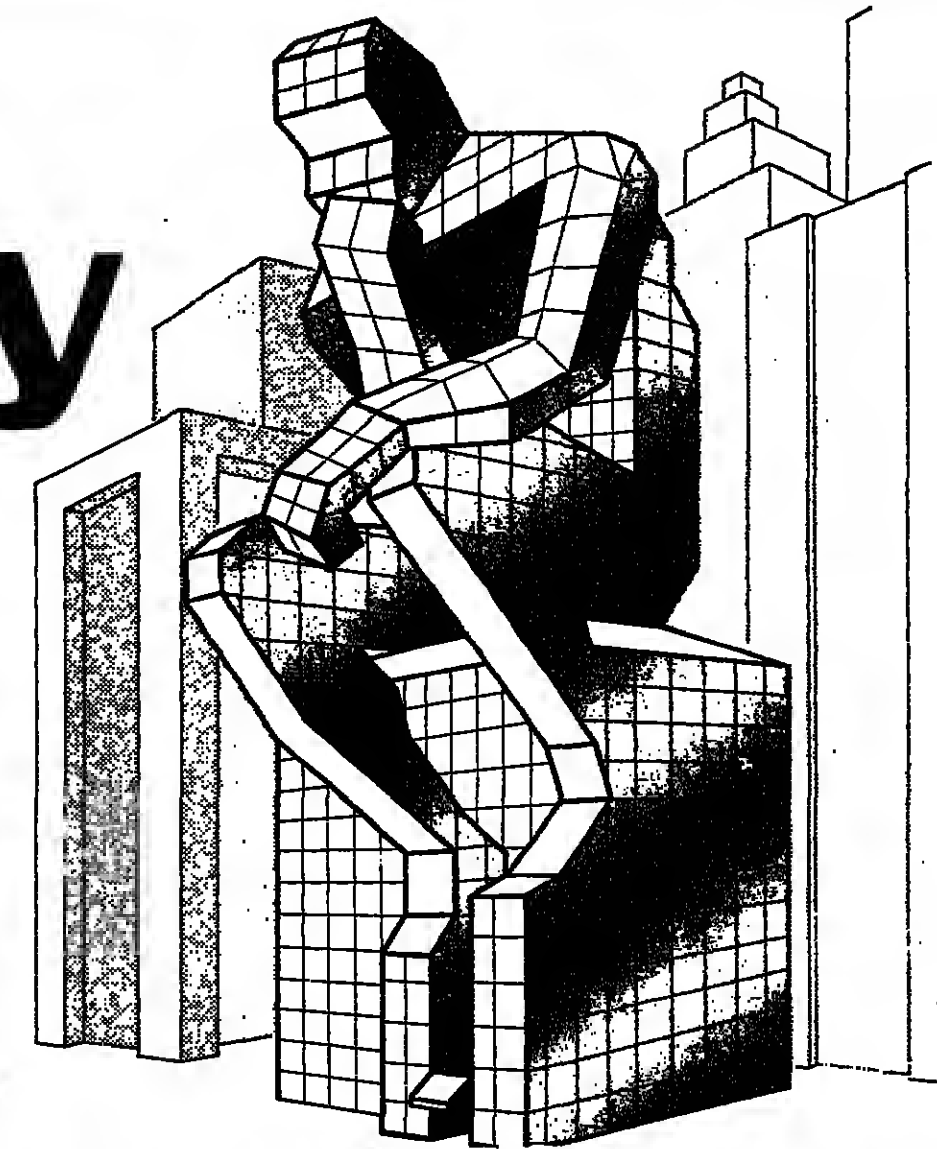
The recovery, then, is selective—and so are the occupiers. Whether in Glasgow, Southampton or central London, there is strong demand for new, well-appointed buildings while second-hand or basically-equipped space has met with resistance from potential tenants.

The market has evolved into a two-tier structure where prime accommodation is letting rapidly and records strong rental growth, while rents for poorer space are stagnant. And this space can overhang the market, for several years, according to DT & C.

Changes in the industrial property market evident over the past two or three years, are making their impact on offices, says Mr Ian Campbell of agents Campbell Gordon.

"Office occupiers are beginning to divide into two categories, those who must be in the town centres to operate efficiently, and those who do not," he says. "It is likely that the financial, professional services and similar sectors will remain in the town centres."

Professor Mitchell Moss of New York University, gave one reason for this at a conference in London on the impact of information technologies on land



ADVENT OF THE THINKING BUILDING

Modern blocks do much of the tenants' thinking for them, with computer control of lights, lifts, heating and security. Thoughtful contributions also come from efficient furnishings, flexible spaces and under-floor cable services.

Image courtesy of equipment manufacturer Steelcase Steelcor

use and development.

Large cities served by long-distance fibre-optic networks would be strengthened by developments in telecommunications, he said. The ability of small outlying areas to attract businesses would weaken.

Prof George Lefko, of the University of Southern California Law Center, said: "The banks and securities houses are likely to stay in the cities along with their handbags like the accountants and the lawyers. But he added that U.S. popu-

lation growth is taking place outside town centres "and development is following that trend."

Mr Campbell also says some production rather than service companies looking for office accommodation find diminishing attractions in established central areas.

"These companies are finding that combining their administrative and training requirements with their production, assembly and storage functions into one location has

operational attractions and productivity spin-offs," he says. "Hence the interest of such organisations in buildings which are now generally called—misleadingly—high-tech space."

Companies can occupy large amounts of accommodation for administrative and associated uses, as well as production or assembly at an average rent which compares favourably with town centre blocks suitable solely for offices.

London's Great West Road (A40) has many developments

## Office Rent Growth

	Index (June 1977=100)	Over the past 12 months %	PA compound since June 1977 %
City	261	8.0	9.1
West End	250	8.7	11.0
Suburban London	203	1.7	9.3
South East Provincial	245	6.9	11.86
South East	230	6.9	11.0
South West	242	13.7	11.7
East Anglia	223	8.8	10.5
West Midlands	234	3.8	10.3
East Midlands	201	14.2	9.1
North West	220	6.7	10.4
North	180	0.0	7.6
Yorkshire & Humber	199	7.2	9.0
Wales	186	2.8	8.1
Scotland	216	7.5	9.7
Office Rent Index	226	8.4	10.7
Retail Price Index	205	6.9	9.4

Source: Hestley and Baker PRIME report

of this sort from an earlier age, which went out of fashion in the 1960s. It remains to be seen if the present fashion will last.

Headlines in the office property field this year, however, have mainly concentrated on the City of London. The City Corporation produced a conservationist draft local plan which was attacked by many property professionals. Developers, meanwhile got on with their plans for big buildings on the City fringe.

One of the biggest—certainly the most peripheral—extension to the City has been proposed for Canary Wharf in the Isle of Dogs, the London Docklands enterprise zone. This involves £1.5bn proposal to develop the wharf with between 4m and 8m sq ft of offices.

It took a consortium of international banks and an American developer First Boston Real Estate to make such radical proposals. But developers, occupiers and some institutions are beginning to see that to get the right buildings they might be wasting time waiting for the proponents of the conventional approach.

For some years office developers have been bemoaning the lack of institutional capacity to fund buildings costing £20m or over. A typical 200,000 sq ft

development in the City could now cost between £50m and £60m or more. There are not many funds prepared to stump up.

Suggestions are now emerging for using syndication, unitisation and incorporation—the single asset public property company—to split funding between a number of sources. A Royal Institution of Chartered Surveyors group has studied single property unit trusts.

## Solution

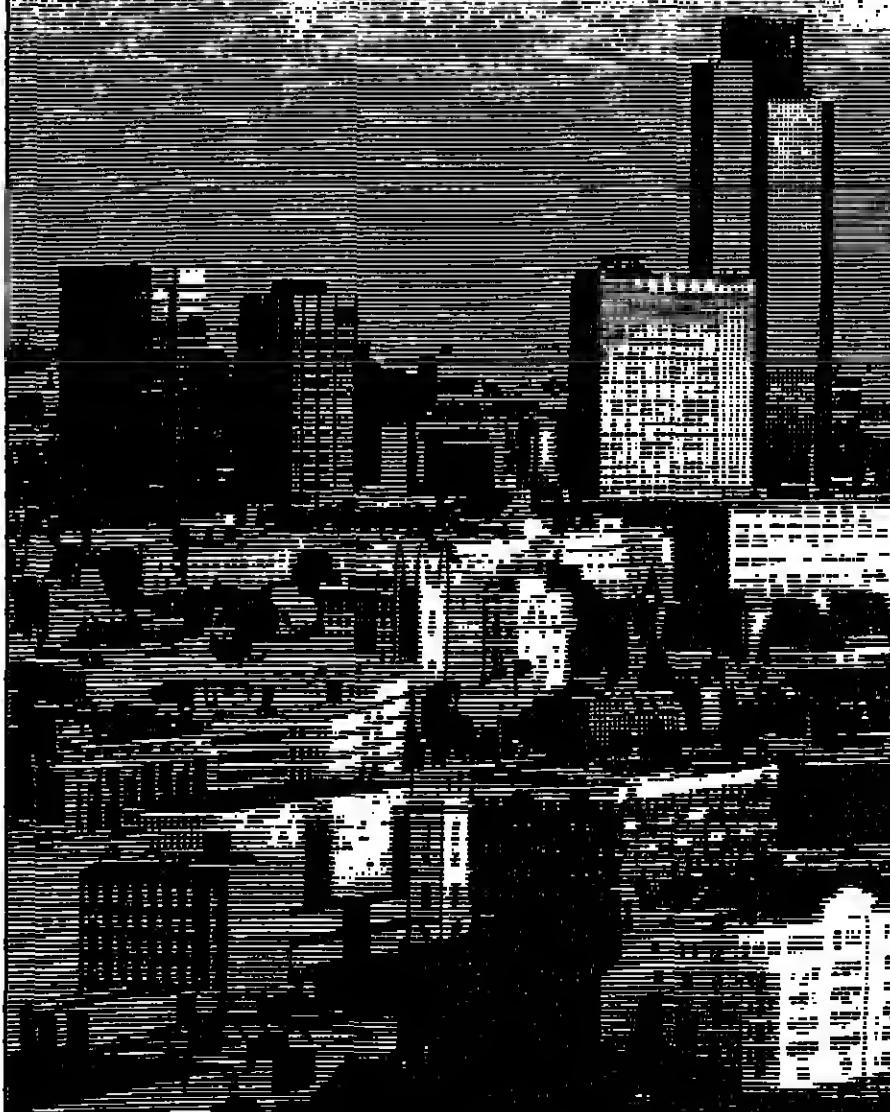
Some schemes are beginning to evolve, such as Sir Jeffrey Sterling's P & O Group partnership with Stockley in the redevelopment or refurbishment of Beaufort House, P & O's old headquarters, at Aldgate on the City's eastern fringe.

Unitisation can be a solution to buildings which cannot be started for lack of conventional fundings. It may increase the number of building options for sites.

Mr Patrick Scott, who heads the Woolgate Finance team which has just spun off from Chase Manhattan, says most good development schemes will find some kind of funding. Unitisation will maximise the profit to the developer.

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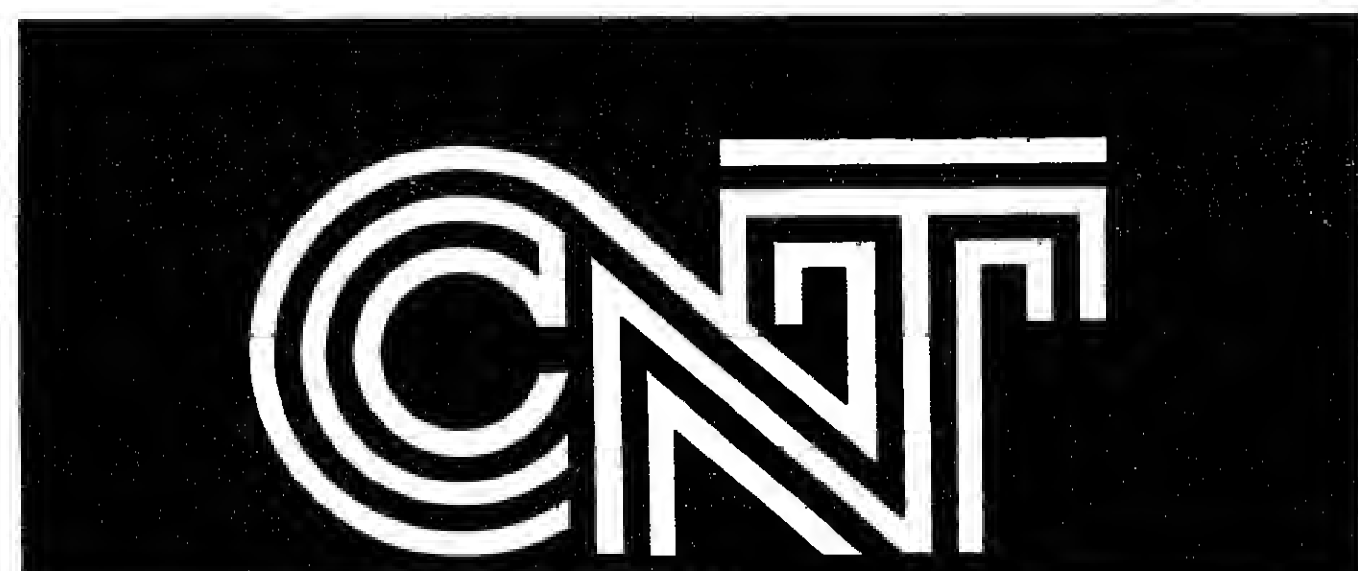
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## Office Property 2

# Rising demand for quality space

**West End**  
**DAVID LAWSON**

IMPROVING confidence in the service sector in 1984 began to pull the office market in London's West End out of a couple of stagnant years for take-up and rental growth. This has continued through the first half of 1985, with rent levels climbing in many parts of this fragmented market.

Almost 2m sq ft of space has been let, sold or gone under offer in the five months to May, according to agents Debenham Tewson and Chinnocks, providing a slightly higher monthly average than the 398,000 sq ft for the whole of 1984. But there is still a big pool of more than 3m sq ft of space available after a similar amount of space came on the market as was let.

Annual rent growth has reached 3.7 per cent, a 5 per cent jump on last year, say agents Healy and Baker, but global figures can hide wide variations in fortunes.

At one end of the spectrum Mayfair and St James's offer relatively little new space, and heavy demand has led to a big boost in rents. At the other extreme, Victoria is still awash with vacant space and poor buildings are almost unlettable. But even here there has still been an increase of demand for better quality space.

Take-up in Mayfair and St James's increased last year by more than 15 per cent to 1.2m sq ft and supply of available space fell by a fifth. The trend has continued strongly in 1985, says Mr Philip Dawe of Richard Ellis, pushing average top rents in Mayfair to almost £25 a sq ft, and in St James's above £25.

Top levels touch £30 with deals completed such as Citibank's 15,000 sq ft acquisition in Berkeley Square at about £28 and the same amount paid by J. Walter Thompson for a new building in Farn Street.

There are few prospects for development other than refurbishments in this part of the West End, and much property is tied up in the hands of big estates like Grosvenor and Elvinstone. A scheme like Legal & General's 200,000 sq ft Lansdowne House on Berkeley Square is an almost unique exception, and will provide the owner with rents well over £30 when it is ready in 1988. London and Leeds is already seeking close to £30 for its

50,000 sq ft at 100 Piccadilly. Their fortunes will compare oddly with the 150,000 sq ft Devonshire House refurbishment by Land Securities on Piccadilly, which caught the market wrongly and had to be let in floors rather than to the intended single tenants. But most of this space is now gone at rents around £20 a sq ft.

This unrelieved pressure of demand should see spill-over into the area north of Oxford Street and into Holborn, where Mr Gerald Wiseman, of Erdmans, forecasts top rents of £20 and £18 a sq ft respectively. Professionals are finding this an attractive alternative to Mayfair, and saves them having to take unsatisfactory space which tenants in general are refusing to put up with for the sake of the right address.

Soho is also benefiting from this spillover, with particular demand from publishers, estate agents and service companies. Temp Properties' letting of its 45,500 sq ft St Lawrence House to a publisher after almost two years of frustration indicated a turn in the market.

The Crown Estates' 45,000 sq ft, mixed use scheme on Oxford Street/Wardour Street is also riding the crest, almost completely let at average rents of £17.25 a sq ft, according to Drivers Jonas, mainly to publishing and media tenants.

High standards of servicing were built in by project man-

agers Capital & Counties, including computer-controlled lighting and high energy efficiency. This sort of quality is becoming almost mandatory to attract tenants, even in high demand areas.

Covent Garden and The Strand have developed a momentum based on the extraction of smaller tenants to the invigorated area around the piazza and financial/energy businesses to larger buildings.

### Doubt

Mr Bill Monk, of Jones Lang Wootton, says The Strand has become an accepted financial location. Citibank's acquisition of the 50,000 sq ft developed by London & Leeds from part of the Savoy Hotel seems to confirm this belief, as does the interest being shown by a bank in the 50,000 sq ft being created out of the fire-prone Civil Service store.

But there is still some doubt in the market whether the City is ready to spill into an area so far from traditional locations.

Record rents were claimed for Savoy Court, but few details confirmed about any concessions. But neither were they in the £20-plus levels when the Adelphi was let at more than £20 a sq ft to Phillips and 23,500 sq ft taken by Enterprise Oil in Griffin House at more than £18. Citibank will tell whether the £2,000 sq ft being offered by the unfinished Strand Central

development next door at £23 a sq ft is taken up to clarify rental growth in this growing energy sector.

Victoria remains a problem area, with its big pool of available space. About 750,000 sq ft was taken off the market last year, but this still left about 15 per cent of the 8m sq ft stock available. And much of the space removed was through companies like BP Chemicals deciding not to relocate because they would find it difficult to assign older space in this buyers' market.

Blue Circle found this problem with space in Portland House, released by Phillips' move to the Adelphi and surplus to Blue Circle's needs with its relocation to Aldermanbury. Herring Son & Daw, who took six floors for Humphreys & Glasgow at £15 a sq ft won three-year break clauses, and say this reflects the surplus of second-class space and weakness of landlords. This is a harsh judgment for Blue Circle, which has spent considerable time and money refurbishing the space to modern standards and just let another 33,000 sq ft to American Express.

All is not completely black, however. Rents are static in Victoria, but there is demand, according to Mr Dawe of Richard Ellis. "There will be significant lettings in the next six to nine months although they will make only a dent in the supply."

Others like Mr Monk and Mr Wiseman also see hope for the area, although it appears that a two-tier market will dominate, with poorer space hard to let even at rents around £12-£14 a sq ft.

High-quality space may prove more successful, although the 200,000 sq ft Victoria Plaza has just picked up a 20,000 sq ft tenant at just under £20 a sq ft, which is a retreat from the initial asking rent of £22 and insistence on a single tenant for the whole building. The 70,000 sq ft Severn House, taken over from European Ferries by Stockley, has also seen asking rents cut from £23 to £17.75 a sq ft.

Some investors continue to take a confident long view that Victoria will remain attractive to tenants, however. Sun Alliance has announced a start on 50,000 sq ft on Allington Street, some 50 yards from the rail station, and Land Securities has asked planners for permission to develop 170,000 sq ft just south of Victoria Street.

And the Government, the major tenant in the area, seems to be continuing to exercise its insatiable appetite for space in spite of supposed spending cuts. The Audit Office took a big chunk of space in acquiring the Victoria air terminal last year and the Post Office moved into British Steel House. With apartments like these, Victoria will not stand still.

Rising rent averages hide some stagnant pools

## Vibrant south outshines regions

**Provinces/M25**  
**DAVID LAWSON**

REVIVAL OF demand has penetrated a little way into the gloom hanging over office markets in the UK's provincial towns and cities. But the clouds are so heavy, particularly in regions of highest unemployment, that development has all but ground to a halt and investment prospects remain poor.

Apart from the occasional business park, new town or special growth zone, investors and developers are continuing to favour the buoyant areas of the south which have proved so attractive to expanding modern industries because of better communications and environment.

Evidence of quite large rent increases such as 14.2 per cent in the East Midlands and 7.5 per cent in Scotland also comes from Healey & Baker, one of the largest agents. But the broad conclusion of a movement of activity and growth southwards is inescapable.

That movement seems likely to continue. There are "bright spots" of demand around the provinces according to Mr Don Gregory of Hillier Parker, but rents have not reached the threshold in most centres of £7 to £7.50 a square foot to make development viable (except on distasteful sites).

Relocation of companies away from the high costs of the south-east also seems an unlikely scenario. Most movers have stayed within striking distance of London, particularly

since the M25 has made centres around the capital more accessible. Moving costs and problems of finding jobs for workers' spouses more than compensate for lower rents, according to Mr Ian Dodwell of Westhull Green & Smith. So there will be no repeat of the diaspora of the 1960s.

It is the M25 which is dominating the so-called "provincial" market, as the booming centres west of London it is benefiting like Windsor and Reading fall into this category. Demand for higher-quality space and a better environment for staff has seen new and relocating companies leapfrogging London's traditional suburban business centres into towns like Redhill, where Norwich Union has just let 140,000 sq ft to Lombard North Central at £13 a square foot.

Mr Dodwell says this "will become the benchmark level in the market and force a re-evaluation of £12 to £15 in the short term around the west London fringes."

Investment opportunities would have to be found by spotting opportunities for extra performance, such as regeneration of some older London suburbs or in towns north and east of the capital where rents are still much lower than in Surrey and Sussex.

The impact of the M25 is one reason for the 11.86 per cent average growth in rents in the outer London suburbs over the last eight years—the highest in the UK according to Healey & Baker—although this growth has slowed to 7 per cent in the last six months.

This booming region is not without its problems. The creation of so much high-quality space has raised expectations in

tenants and anything built below these standards will be difficult to let or down-valued in investment portfolios.

Some developers might be better off putting their money into higher-quality schemes in provincial areas where land prices are lower than shaving standards to compensate for soaring site values around the M25.

### Average High-tech/Out-of-Town Rents

	£ per sq ft	Mixed use*	Campus/household
Birmingham	3.25	5.50	
Bristol	4.50	6.50	
Cardiff	3.25	4.50	
Cambridge	6.00	6.75	
Colchester	4.50	4.00	
Ex. Berkshire	8.00	12.50	
Glasgow	3.00		
M25 (SW)	7.00	11.00	
M25 (W)	8.00	12.00	
M25 (NW)	6.00	10.00	
M25 (NE)	4.50	6.50	
M25 (SE)	5.00	7.00	
London E2	7.50	8.50	
Milton Keynes	3.50	8.50	
Norwich	2.75	4.00	
Oxford	4.75	6.50	
S. Hampshire	4.50	6.00	
Swindon	3.25	7.00	
Manchester	3.50	6.00	
Leeds	3.25	4.50	
Northampton	3.50	4.75	
Bedford	3.00	4.75	

\*Class III with up to 50 per cent ancillary office  
†Class II with ancillary uses

Source: Healey and Baker PRIME Report

WILLIAM COCHRANE spotlights three provincial developments

## Successful recipe for Cook

NINETEEN companies new to Peterborough occupy offices on sites provided by the new town's development corporation. One of the most significant inward moves was of Thomas Cook, the largest international travel organisation in the world.

Cook's previous building, leased premises at Berkeley Street, in London's West End, needed substantial and expensive modernisation. Space was inadequate for a growing business and new computer system could be accommodated only with great difficulty. Westminster rates were high and rising.

During 1972 and 1973 the company undertook a detailed review of 11 possible locations. Peterborough was chosen for its expanding business environ-

ment, opportunities for recruitment, plentiful housing, an attractive site, and suitable temporary premises for a phased move.

It chose a site which gave room for parking, expansion, a club house, and space for sports. Cook assigned two directors as project managers almost full time, and brought in Peter Marwick Mitchell as project coordinator.

After concluding negotiations for the 21-acre site in early 1974, Cook was occupying the building by 1977.

Since then staff turnover has dropped to about 10 per cent a year from 40 per cent in London and there has been a steady improvement in productivity of 8 to 10 per cent a year.

Among the lessons it has

learned is that open-plan offices have not proved universally popular. "However, this must be balanced by the ease with which the many changes in location and layout have been achieved to meet the requirements of a modern office," it says.

It has been impossible to quantify the value of such gains as the big reduction in staff turnover or the ease of recruitment.

But it has saved about £1m a year on rates, about £125m a year on staff costs by eliminating London allowances. The saving on building and maintaining freehold premises rather than renting is about £1.5m a year, even allowing for the cost of funding, giving a total, measurable saving of £3.75m a year.

## Smart way to sort out a site

WESTGATE, DCI/Lilley's 140,000 sq ft development on Argyle Street, Wellington Street and Hope Street, south of Glasgow's traditional prime office pitch, is ready for occupation.

It took a couple of years to sort out problems on the site, which was previously spurned by developers. DCI and Lilley made the best of it and created a "smart" building to let at £7.50 a sq ft in a city where office rents are topping £8.

Electronics control the management of the building and house the way information and communications are handled, the developers say. Messages can be sent between internal or outside data bases,

provision has been made for satellite links and a raised floor allows total flexibility in the way cables are run.

Suspended ceilings accommodate low-energy, high-output recessed fittings, saving up to an estimated 50 per cent of energy costs. Through links to daylight sensitive photoelectric cells which control lighting and avoid unnecessary use. Infra-red controls allow extra light to be switched on in a particular area.

Heating, ventilation and air filter equipment are also housed in the ceiling with microprocessors controlling each six-metre section. Excess heat and dust can be drawn from a computer room while staff are tak-

ing tea in a warm room next door.

Sensors on every floor feed information to centralised computers which monitor heating, lighting, ventilation, lift operations, fire alarms and security 24 hours a day.

Safety and security is maintained through cameras, light-beam barriers in vulnerable areas. In a central control room, TV screens monitor common areas.

A print-out gives a written record of services in use, breakdown, sewage control, lift position, unauthorised entry and who is using the car park. There is even heating under the surface of the car park ramp, in case it is iced up.

## Breaking rules can prove a winner

NEW TOWN development corporations can break a lot of the rules imposed by institutional investors on property development.

For instance, Basildon Development Corporation, in Essex, built a 70,000-sq-ft speculative office block on the edge of the Eastgate Shopping Centre. Mixed developments are not liked by institutions, as one use limits access to the other.

Much of the construction period from 1981 also covered a recession in the office relocation market. Yet the corporation has come out smelling of roses.

Commercial Union came on the scene early in 1982 before the corporation had taken on Clive Lewis & Partners as letting agents or any marketing had been done.

Negotiations were protracted, partly because CU did not at that stage want so much space. However, its requirements in Basildon have increased over the past three years and the company will now occupy around 52,000 sq ft of the renamed Commercial Union House, the remainder being available for sub-letting.



## Office Property 3

# Obituary for core may be premature

City of London  
DAVID LAWSON

LIKE ECHOES through a time warp, reverberations from the City of London's "big bang" have been bouncing around the office property market more than a year before the starting gun is actually fired.

With the City core going through a strangely quiet period last year, because of banking and general economic problems, it was inevitable that the activities of the first financial conglomerates to set up as primary dealers would hold the market's attention.

A few developers had jumped on the bandwagon early, starting some enormous buildings, outside the traditional core areas of the City. Early scorp over their presumption turned to astonishment when many of the best ones were gobbled up by the new conglomerates at unprecedented rent levels.

The City's new giant demand vast buildings—between 200,000 and 350,000 sq ft according to one agent—to provide vast dealing floors, flexible internal servicing so they can constantly switch around operations, and underfloor space for the cabling, which serves butries of electronic equipment.

The poor old City core, always considered the automatic location for financial dealers, cannot provide such space. Nor will it be able to in future if the conservationist dictation of the proposed City plan is accepted.

So the City "fringes" have appeared to be the new action areas, a couple of years after being dismissed as pipedreams, wallowing in empty space.

But with the fervour shown by most critics turned to converts, some champions of the fringes show a tendency to overreach themselves. Certainly there is a powerful trend towards big, high-tech buildings outside the traditional locations, but not all the borders of the City appear equally as promising and the demand for large space may not be as insatiable as some suggest.

Nor is the City core dead. Banking problems are easing and space in prime locations that has hung on the market for a long time has started to let,

according to Alan Froggatt of Richard Ellis. He expects growth in prime rents to reach 10 or 15 per cent this year compared with only 4 per cent in 1984, and the average has already reached £33 a sq ft.

It could be argued that multi-letting and rents on relatively small buildings are no longer accurate indicators to the health and future of the city when such big new financial groups are the main players in the game.

One of the "champions of the fringes," agents Baker Harris Saunders goes as far as to say that rents on the periphery—already soaring in places to £22 a sq ft—will equalise with the core as modern tenants learn more to quality of buildings rather than the traditional addresses. They prefer a tight zone of older buildings in the centre where rents have to be reduced to attract smaller tenants.

## Gloom

Arguments about where demand is concentrated might seem irrelevant outside the narrow world of property investment. Yet property companies, insurance groups and pension funds own about half the City according to a study by agents Savills, and how the relative values of their portfolios perform has a direct effect on share prices and bonus payments.

At least five international financial institutions will relocate headquarters to the Continent or Far East unless the City plan is revised, say agents Herring Son and Daw. And the profitability of 10 UK organisations frustrated in their search for single buildings of 150,000 and 200,000 sq ft on the City fringes will suffer.

This sort of alarm springs from the juxtaposition of between 30 and 40 primary dealing groups being set up for the "big bang" next year but not a single new building of more than 50,000 sq ft available this year and only 550,000 sq ft of new space available in total, compared with 2m sq ft let in this category in 1984, according to Baker Harris Saunders.

This is why there has been a rush for buildings around the northern fringes of the banking area, like the Finsbury Avenue development, by brokers and banks. The refurbished Triton Court, once considered too far

from the centre is suddenly three-quarters full at rents which have risen to £21.75 a sq ft and even the Liverpool Street development has seen almost half the 1m sq ft of planned space reserved by Security Pacific/Hoare Govett and American Express/Messel before it is started, at rents likely to be up to £27 a sq ft.

But George Gillon and Alan Froggatt of Richard Ellis are more sanguine about how strong this wave of pressure is—and how long it will last. They point out that probably half a dozen at least of the financial conglomerates are left in the market for 100,000 sq ft-plus buildings, and some may not survive for long after the "big bang."

"It is possible that there are too many players in the new financial market," they say. "It may settle at about a dozen."

So, after the marriages, may come the divorces, which makes continuing pressure for these sorts of building from this sector less certain.

There will also be a surge of new space available in the City, yielding about 3m sq ft a year in 1986 and 1987, Baker Harris Saunders says. Peter Hill of Debenham Tewson & Chinnocks calculates that about 30 buildings of 100,000 sq ft or more will be available in the City as a whole by 1988.

This does not necessarily mean a surplus everywhere. In spite of the diminishing importance of traditional locations, City tenants still have a preference for particular areas, as shown by the movement northwards in EC2, with its easy access to the Bank of England and the Stock Exchange, according to Rogers Parsons of Knight Frank & Rutley.

So such schemes as a 250,000 sq ft Ropemaker Centre bought from BP by Norwich Union and London & Metropolitan for redevelopment should be pre-empted before the 1987 completion.

On the other hand other fringe locations like the South Bank may find it harder to attract City institutions. Rodney Petty of Weatherall Green & Co. says there have been no big lettings announced in this 1m sq ft first phase of the London Bridge City development, perhaps because of the psychological barrier of cross-



Trevor Humphries

## BEEF-UP FOR BEAUFORT

Some substantial—and fairly modern—City buildings are facing refurbishment or redevelopment in a market where high standards are necessary to draw tenants. Beaufort House (above), a former P & O centre in Aldgate, is a candidate through a partnership with Stockley, while the former BP centre near the Barbican is being rebuilt as the 250,000 sq ft Ropemaker Centre. Other 1960s and 1970s buildings like Lee House on City Wall, and Malvern House on Upper Thames Street could be demolished to make way for space which meets modern demands for flexibility, large floor areas and capacity to handle high-technology.

ing the river away from the City.

Baker Harris Saunders, as joint letting agents with Jones Lang Wootton, would disagree with such gloom in their predictions of continuing demand from the banks throughout this decade. But big institutions are not the whole market in any case, as Chesterfield Properties and Lovells may prove. If Price Waterhouse decides to take up half the 130,000 sq ft New City Court next to London Bridge station, being quoted by Erdman and Herring Son & Daw at £20 a sq ft.

Question marks hang over other fringes too. Mr Parsons and Mr Petty question whether the eastern sector will see much more movement since the insurance companies have done their relocation.

A whole clutch of developers beaten by Guinness Peat Berisford and McAlpine for the chance to build 185,000 sq ft on the Minorities seem more confident. So do Credit Suisse First Boston and Morgan Grenfell in the possibility of an 800,000 sq ft banking centre even further east in Docklands.

The fragility of prediction is nowhere clearer than in the two extremes of the northern city fringe and Docklands. The first was called a disaster area for property investment three years ago and now reveals in growth.

At the same time as the north fringe was being written off, a banking revolution was being predicted when Standard Chartered Bank examined the possibility of moving to Docklands. It is now developing in the City, although it cannot accommodate its international operations and is still exploring possibilities in the Isle of Dogs.

Citibank made the same trip east a year ago but is now said to want the old Billingsgate market on the southern City fringe. Credit Suisse could yet tread the same path.

Even the blue-chip clients may not prove as reliable as predicted, if the decision by Samuel Montagu not to occupy the 130,000 sq ft new part of Billingsgate is a guide. And if the City Corporation follows up ideas of modifying its planning restrictions by allowing some large development, the core

## Alastair Guild talks to two managers with clear views of the type of property they demand Looking east for expansion

HOME COMING can be sobering for some property men used to the expanding markets in North America, South-east Asia or the Middle East. They return to what they see as stifling planning restrictions, expensive construction and long lead times.

Mr Stuart Tarrant, Standard Chartered Bank's chief financial officer and the man with the task of switching the bank's London head offices, is no exception.

A chartered accountant with spells at ICI, the Cavenham Group and executive vice-president of one of the largest U.S. supermarket chains, he joined Standard Chartered five years ago and last year was given responsibility for the bank's office requirements.

"Our 44-storey offices in Singapore were started about the same time as our eight-storey Bishopsgate head office development," he said. "We occupied the Singapore building in April 1984 but don't expect to occupy the Bishopsgate offices till this October."

The London head office has

## Standard Chartered

been designed to provide a new image, fit to receive statements, businessmen and bankers from all over the world. All key personnel will be in one place and the building will be wired for the latest technology, as well as enabling departmental layouts to be changed at minimum cost.

"We looked at moving the international banking division, trading in foreign exchange, options and gilts under the same roof. But you need trading floors in excess of 15,000 sq ft. And our trading operations are growing at such a rate that they would not fit into the new City building," Mr Tarrant said.

"There is not much suitable space on that scale anywhere in the City. The Square Mile has a major problem in that financial deregulation and business combinations have new occupation requirements."

Standard Chartered has been looking at developments in the

Isle of Dogs, part of the Docklands enterprise zone east of the City. Office buildings are being planned providing open-plan floors in excess of 15,000 sq ft with room for expansion. Mr Tarrant is attracted by the all-in costs of £250 per sq ft, reflecting financial incentives offered by the Government. Good communications are planned.

"Several large trading houses are contemplating going there," he said. "If the major players operate from there it will have profound consequences for property in the Square Mile."

Another advantage of the Isle of Dogs is that it is being supported by central government and this compares with several socialist-controlled councils surrounding the City which appear to be against big business.

"London will only expand as an international financial centre if accommodation requirements are available at the right cost, with the right design and support services, and if councils fringing the Square Mile are seen to be more pro-business."

## Speculative space unsuitable

### Sedgwick's

Norwich and had smaller premises scattered around the City.

"We had acquired 300,000 sq ft, but 100,000 sq ft of this was in little bits of leased spaces where costs were high and inflating," Mr Kitchener said.

His initial task was to oversee the building of the Sedgwick Centre.

"Insurance broking is very fluid. A director groups round him 30 or so people to write a claim, and once this is settled, they scatter."

"We need open spaces where that sort of movement of staff can be accommodated. The average speculative building does not have that sort of configuration, nor does it provide for cabling necessary in an age of advanced telecommunications. The Sedgwick Centre has one-line access to its mainframe computers at Witbam."

Sedgwick's built the centre on the City fringes because space

was more available. The new centre is in Tower Hamlets, though Sedgwick-Forbes House, which houses 1,000 staff, is across the road in the City.

"Tower Hamlets is a competent local authority. It realises that this area is going to be a major income producer and cannot be greedy," he said.

"Having started on the fringes, if we want to add to our building stock, it shouldn't be too difficult to find something suitable because a lot of development is going on around us. The insurance broking world has accepted the limitations of the area, and we are providing some facilities which are lacking."

Little further decentralisation is possible to Norwich or Witbam because brokers need to be near the Lloyd's market, Mr Kitchener says.

"It is too easy to decant the wrong people and end up with poor communications between departments. Property decisions have an enormous personal impact on employees, and I'm not sure that the right weight is always given to that in decision making."

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## Office Property 4

# New paths explored to pay for giants

**Investment**  
WILLIAM COCHRANE

FEW institutional property investors are willing to entrust the \$30m-plus necessary to develop today's big office developments, so new solutions are being suggested to find the money.

Unitisation, which involves setting up a unit trust for each building is one path. But there can be problems.

Mr Edward Luker, of Richard Ellis, told a recent conference that existing property unit trusts covering a spread of properties, showed a wide spread (sometimes as high as 10 per cent) between buying and selling prices. There were also protracted redemption periods if holders wanted to get rid of their units, and a general lack of control.

"A lot of pension funds only started 10 to 15 years ago in property," he said. "They started with property unit trusts, were weaned off to direct property investment, and now we are asking them to turn around again."

However, he did not write off the unit trust prospect. A Royal Institution of Chartered Surveyors working party, chaired by Mr Colin Vaughan of Debenham Tewson and Chinnocks, has proposed that single property unit trusts should be authorised. A wider range of investors could then become involved in the property

market.

Another path could lead to the same goal, according to Mr Jonathan Coote, Sun Alliance chief investment surveyor—the single-asset public property company.

"Fund managers understand equity," he told the same PROPEX conference as Mr Luker. "One single property could form a useful company in its own right, but it has to be publicly quoted."

But again there were problems. Double taxation, in that a company pays corporation tax on the dividends.

● "Valuability," in that a share has to be seen to be worth something, and a company can hardly sell its asset to establish that.

● "Accountability and management."

Solutions would involve fiscal reform, including disposal of tax allowances proportionately to income; an organised exchange for these shares; existing accounting rules should apply to equities generally; and major property agencies could probably take the management role.

Advantages would include ability to gear up in times of low interest charges and lowering of the high yields necessary to sell large investments. Take-over bids were possible if the market for big investments improved faster than that for smaller units and foreign capital could be attracted to this easily understood investment medium.

Assets could be transferred cheaply and quickly, while

marketability and portability would move closely into line with main institutional investment opportunities removing some fund managers' objections to putting more than 20 per cent of their portfolios in property.

A third approach to large investment could be consortia management, or syndication, said Mr Nikolaus Medhurst, MMG Investment Banking Services.

There would need a new breed of developer or sponsor with powerful evidence of commitment like equity investment, or financial guarantees. The sponsor's track record should be financially strong and include a reputation for bringing in projects on time and on budget.

There is a lack of any formal primary or secondary market for minority interests in property, and a need for liquidity without a significant cost penalty. Mr Medhurst said. MMG's solution was to limit the life of the consortium trust to 10 years—long enough if the potential return on investment was good enough.

The single-property unit trust seems to be the preferred current vehicle for such investment. Mr Christopher Jones, managing partner of Drivers Jones and chairman of the RICS policy review committee, has reinforced this view.

He has suggested a property unit exchange similar to the stock market.

"I see a situation in which investment property is broken down into relatively small units and once sold by the promoters of a single-property trust, would not be repurchasable unless an offer was made specifically by the promoters," he said.

Mr Patrick Scott, head of the former Chase Manhattan London property team which now forms Woolgate Property Finance, thinks Mr Jones is working along the right lines—even if the solution may be a long time coming.

"People are groping for instant solutions," he says. "But it is going to be a slow process."

Woolgate's legal adviser, Mr Edward Troup of solicitors Simmons & Simmons, who have done a lot of work on unitisation, says: "What we see coming is just the division of a single property between lots of owners."

"You cannot create a market overnight but if institutions interest, it will come—and it is possible within the existing legal framework."

Three of the biggest potential developers in this market have told him they want to learn as much as they can to get their developments off the ground at the right price.

"It is not so much that major developers cannot develop, cannot fund or cannot dispose of buildings such as these," Mr Troup says. "It is the cost of enhancing their investment potential."



London Life aimed for efficiency and comfort in its 140,000 sq ft Bristol headquarters, extensively consulting staff on furniture design and predicting annual running costs of £1.07 per sq ft through measures such as electric heating and low-maintenance finishes coated by quantity surveyors Gledes

## Inefficient buildings lose out in race for tenants

**Service charges**  
DAVID LAWSON

THE COST of running buildings has taken on new importance in the harsh economic climate of the 1980s. Companies have begun to take a much closer look at outgoings on services like heating, lighting and repairs, and inefficient buildings are losing out in the race for a smaller number of tenants.

In buoyant times, finance directors rarely queried outgoings, raising their backsides mainly when a large demand for repairs dropped on their desk. Pressure for tighter cash-flow brought accommodation costs under the microscope, initially concentrating on more visible outgoings on rent and rates.

The focus has now widened to include running costs, and the shift is having a profound effect on parts of the property investment market. Tenants know they are in a buyers' market with so much more space available and are as interested in the potential service charges on premises as they are in rents and rates.

Landlords often have to trim rents even in good locations where buildings are less efficient, while developers have become obsessed with designing schemes which can stand up to such scrutiny. New definitions of prime are being set by efficiency.

### Income

Even companies tied into long leases are using running costs as a lever when rent reviews are due. Property management has taken on a new lease of life as owners press agents to seek ways of keeping down costs to protect their rental income.

Much more work is therefore being done to measure relative costs. For instance, Space Planning Services has determined that annual service costs vary from £8,000 per worker in the City to £3,000 in the provinces and account for an average 37.8 per cent of total accommodation costs across England.

Agents Jones Lang Wootton also attempted to give a broad guide in bills for a sample of office buildings they surveyed across the country.

They found that overall costs rose by 75 per cent between 1979 and 1983, perhaps justifying the fear of many tenants as this was 25 per cent more than the general rate of inflation. But there was considerable variation in the services and in different locations, making comparisons and budgeting more difficult.

Repairs and maintenance, for instance, grew more than 100 per cent in value, while insurance costs rose only 9 per cent—and fell from 1981. Repairs probably increased because more work was done (even some modern buildings are crumbling) and insurance was probably affected by stiffer market competition.

More useful for comparison is that the 10 service areas covered kept the same order of importance over the years. For instance, energy costs continued to take the biggest part of the total (20.4 per cent for non-air-conditioned space and 22.8 per

cent for air-conditioned), even though it grew by only 68 per cent in value, one of the slowest rates of increase.

The consistent ranking of services could give a reliable basis for priorities in monitoring or cost reduction. Energy is obviously a prime target for saving, in spite of its slow growth. A mere 1 per cent cut in costs would obviously have a bigger impact on total bills than a similar percentage cut in another service.

This is made plainer in calculations averaged for each square foot of space. Repairs and maintenance costs have become highly controversial yet the doubling of charges 1979-83 increased service costs overall by only 5p a square foot with the 68 per cent energy increase which raised costs by 21p a square foot.

The overall level of costs in 1983 was £3.36 a sq ft for air-conditioned buildings and £2.09 for non-air-conditioned. This can be set against total rent and rates varying from about £48 a sq ft that year in the City of London to about £4 in Leicester and Bradford. (Since then, City costs have gone above £50 a sq ft and in provincial centres have risen overall by about 13 per cent.)

The biggest problem for tenants trying to use such information is the variation within the averages. In non-air-conditioned buildings, costs varied from £2.19 a sq ft in the City to £1.36 in the provinces, with the West End (£1.96) and outer London (£1.82) falling between. Higher energy costs seemed to make up most of the difference between outer London and provincial service costs.

Other variations come from size of building, with costs per sq ft tending to fall with extra floorspace. The average was £3.15 a sq ft for premises of less than 5,000 sq ft but £2.23 a sq ft for those between 5,000 and 10,000 sq ft. Age of structure, intensity of use and efficiency of plant also come into the equation, giving similar buildings different running costs.

### Replacement

Costs for specific buildings can best illustrate the variety. For instance, Greystock-Rosehaugh's 200,000-sq-ft ultra-modern design at Finsbury Avenue on the northern fringe of the City was designed for modern efficiency demands and claims running costs of less than £8 a sq ft (including insurance). The Commercial Union tower in the City core, a product of the last property boom, is reported to cost up to £8 a sq ft to run.

Such variability might limit the value of these figures for the average tenant in negotiations with a landlord, but they give a baseline to work from. And any information is better than none in tenant/landlord relationships, which tend to be dogged by uncertainty and bad communications, according to research by the College of Advanced Land Use Studies at Reading.

It found that smaller tenants tended not to understand costs—particularly the apportionment of occasional big charges like replacement of plant—and suggested that landlords could do a lot more to explain what they charge.

Some tenants of multi-

## Coping with the human element

**Equipment**  
WILLIAM COCHRANE

MANY MORE varied activities are occurring in office buildings because more diverse businesses are occupying space, and because the life-cycle of each one involves more marked changes in what its members do.

"More space is demanded for equipment, professional workers, training and support areas and other ancillary services and less for clerical workers or high ceilings," Mr Anthony Downs, of the Brookings Institute in Washington, said in an analysis of the impact of telecommunications on real estate and development.

Raised floors, lowered ceilings, open spaces and the flexibility to install cellular accommodation are further demands. But the human element is also important with an increasing ratio of professional to clerical staff. Comfort comes into reckoning.

Mr Neville Osrin, marketing director of the Strasbourg-based Steelcase Strafo office furniture group says: "The office environment is about people, despite the current emphasis on technology."

### Storage

Research aimed to determine what factors were associated with employee satisfaction. For instance, a survey on seating comfort suggested significant problems.

Mr Osrin says productivity is highly influenced by the office environment and aesthetic aspects of design. In fact, these could be inextricably linked in the mind of the employee.

Important factors were adequate storage space, working surfaces, temperature control and illumination and comfortable seating. The office should be able to allow technological development and provide enough privacy to prevent distraction.

Cable clutter can lead to power lines disturbing the signal cable of a visual display unit. A work station surrounded by a spaghetti junction of wiring was also "unsightly, difficult to service, and can be dangerous," he said in a report on his research.

Other problems could involve too much contrast in the ratio of natural light to VDU screens, or too much glare from screens,

non-adjustable chairs, and keyboards too close to screens. "I did one project where 30 per cent of the screen operators had back problems," Mr Osrin said.

The Orbit study published in 1983 drew attention to the inadequacy of many buildings to integrate information technology because of limitations in the way they were built.

Mr Osrin says that within the context of the limited, and often costly solutions to this problem, integrated furniture systems has become an increasingly attractive option. Cables are contained within such furniture.

Furniture systems are able to provide those facilities generally associated with the building structure, such as power distribution, lighting, acoustic control, space division and wire management," he adds.

"This opens up exciting new options in the use of older buildings, which are often ideal in space configuration but lacking in lighting, power distribution and other environmental facilities."

Mr Charles Heldmann, director of research and development at Steelcase Strafo, says good lighting and acoustics are important.

Intensity, direction and colour of light rather than its strength is what matters.

"You need comfort, not too much contrast, and an indirect uplight—an ambient light source which moves with the furniture."

"It's also important to be able to switch off the light." One doesn't need light to think.

Mr Heldmann says that people do not look after their eyes; they use more light when they need more contrast.

To reduce intrusive noise, like a VDU printer, panels can be used which attenuate sound by 20 to 25 decibels.

Privacy of conversation sometimes requires the use of "white noise" to cut down distractions.

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## Energetic savings

THE PRESSURE to make office buildings more efficient and attractive to tenants is bringing to the fore surveyors who act as property managers, and creating a breeding ground for new specialities.

Energy is the biggest outlay and a growing range of packages for cost-cutting is coming on the market. For instance, Emstar, a subsidiary of Shell UK, has guaranteed Sun Life Properties a 10 per cent annual rebate on its energy bill of £57,000 for Randolph House, a multi-storey office block in Croydon, south London, plus half of any further savings under its energy management contract. Emstar takes its fees from any savings and intends spending £25,000 of its own on equipment and plant.

Maintenance and repairs have proved a prickly problem between owners and tenants because they often involve large and unexpected costs for equipment like boilers and other plant. A London-based company called TEAM is offering guaranteed minimum savings of 7 per cent through a condition-based maintenance contract to replace the normal periodic inspections.

The company, which claims to have cut more than 22 per cent (£57,000 a year) from running costs on BP Chemicals' 225,000 sq ft headquarters in West London, says the new system ensures that equipment is not left running inefficiently or replaced prematurely.

David Lawson

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# Soon the Government will offer for sale its remaining 49% share in Britoil.

Britoil is one of the country's leading oil and gas companies.

And it's one of the world's largest companies engaged primarily in exploration and production.

It has the greatest share of exploration acreage of any company on the UK Continental Shelf.

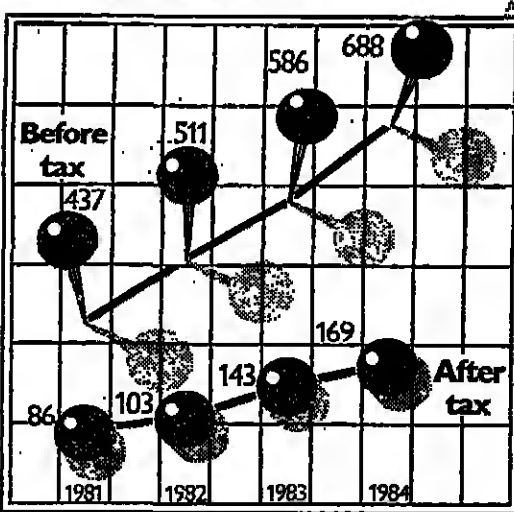
In November 1982, Britoil became a publicly quoted company when the Government sold 51% of its shares to the public.

Since then, Britoil's growth and achievements have been impressive.

Now the Government has decided to offer its remaining shares for sale. And, as in the past, it intends to give private individuals, not just City institutions, a full opportunity to apply for shares.

In the latest offshore UK licensing round, Britoil was awarded 19 blocks, the largest number awarded to any applicant in that round.

Since 1981, after-tax profits have virtually doubled. The figures for 1981 and the first seven months of 1982 reflect those of the business transferred from BNOC to Britoil on 1st August 1982.



Britoil has built up a first class team of exploration, project development and field operating staff led by experienced management.

Subject to market conditions, the offer is planned for the end of this month. There will be just seven days to make an application for shares before the offer closes early in August.

The Offer for Sale document and application forms will be published in many national newspapers.

They will also be available from all branches of National Westminster Bank, Barclays Bank and the Bank of Scotland.

Between August 1st, 1982, and the end of last year alone, Britoil produced 141 million barrels of oil and 158 billion cubic feet of gas. It also participated in drilling some 120 exploration and appraisal wells and in bringing four offshore UK fields into production and a further five into development.



Please send me more information about Britoil and reserve my copy of the Offer For Sale document, without obligation.

Name

Address

Postcode

Send to: Britoil plc,  
P.O. Box 5000, Bristol, BS99 1GB.

## Britoil

SOON, THE REMAINING 49% OF BRITIL SHARES ARE TO BE OFFERED FOR SALE.

Issued by Lazard Brothers & Co., Limited on behalf of H.M. Government.





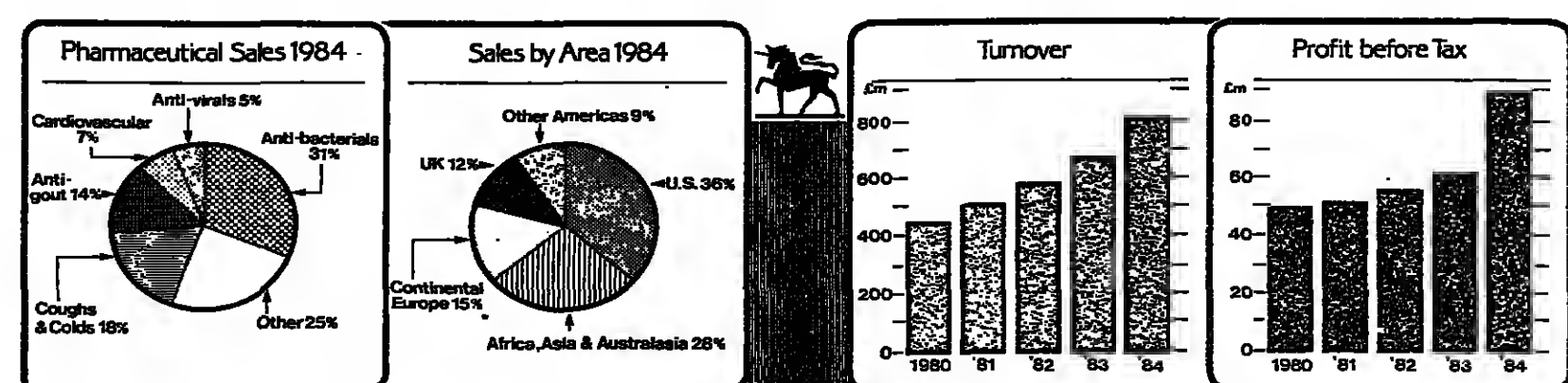






## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ



## Discarding an image of other-worldliness

Tony Jackson reports on the Wellcome Foundation

THE WELLCOME Foundation is learning the art of disclosure. One of Britain's biggest private companies, the group has until now kept its face out of the public eye. In the run-up to next year's stock market flotation, all that is changing. The results are surprising. Despite being one of the world's big drug companies, Wellcome has the image, in both the drug industry and the City, of being slightly other-worldly. Owned by a charitable trust, renowned for fundamental research, it has been seen as standing above the more ruthlessly competitive aspects of the world's drug industry.

From the company's majestic headquarters in London's Euston Road, it all looks rather different. Alfred Sheppard, group chairman and managing director, is a financial man to the core. Previously with the Rank Organisation and merchant bankers Keyser Ullmann, he joined Wellcome 13 years ago from the post of finance director with chemicals group Laporte.

An energetic man, Sheppard tends to remain seated while expounding the details of Wellcome's drug research. He starts to pace around when the conversation turns to balance sheet gearing, cash flow and credit control. "Everyone around here understands," he says, "that if you've got money locked up in working capital, you can't use it to build factories."

Down at the works in Dartford, east of London, the impression is reinforced. Bob Devereux, director in charge of production, says: "Ten years ago, you would make a good career in Wellcome from being purely a good chemist, or a good engineer. Five years ago that wasn't enough—you had to be a good manager as well. Now comes stage three—being not just a manager, but a businessman. Our people have to get out into the field, handle negotiations, get their feet wet."

The gap between the image and reality may be a matter of

time-lag. Plainly, the group has become commercially sharper in recent years—as testified last month by a 85 per cent jump in interim profits. On the other hand, the old non-commercial image may have had some justification. "When you look at the products Wellcome has in its cupboard," says one rival executive, "the range is astounding—not just in breadth, but in depth as well. And when you look at the size of the business in sales terms, they just don't seem to be making enough of what they've got."

The cynic might deduce that the sharper image Wellcome now projects is part of the hype leading to a stock market introduction. But Wellcome, after all, has very little to gain from the flotation since its owner, the Wellcome Trust, will not receive the proceeds of the sale. The trust, a charitable entity wholly separate from the company, has decided to widen the sources of its income.

Again, it is in the nature of drugs firms, with their intensely long lead-times on research projects, to be slow-moving. Alfred Sheppard is very clear that the reforming of the group's financial position has been a long process. "When I joined as finance director 13 years ago," he says, "balance sheet gearing was 70 per cent. Now it's 20 per cent. That's not easy when you're a private company without access to equity finance."

The sharper attitude to the

handling of drug research—Wellcome's "light asset" reputation—may have much to do with a study commissioned two years ago from management consultants Arthur D. Little. The management of drug research—setting the balance between commercial goals and the scientist's search for pure knowledge—is one of the trickiest tasks pharmaceutical companies have to face. It was precisely this problem which Arthur D. Little was commissioned to report on, with apparently far-reaching results.

Only months ago, Wellcome had on its strength two of the most eminent drug researchers in the world: research director Sir John Vane—the first industrial scientist ever to receive the Nobel Prize for Medicine, for his work with Wellcome on prostaglandins—and Sir James Black, a legendary figure who discovered the world's two best-selling prescription drugs, Smith Kline's Tagamet and ICT's Indoval.

Sir James has now left, and Sir John leaves in September. Wellcome has little to say about this, beyond emphasising that relations with both men remain good, and that scientific links have not been wholly severed. Wellcome's research staff make another point, underlining their very long lead times in the drug industry. Sir John joined the company in 1973, and Sir James in 1978. Wellcome's products presently

on the market—and, indeed, many of those in the last stages of development around the world—origins with an earlier generation of researchers, particularly with the ex-research director George Hitchings. There is the intriguing implication that contributions made by the two departing scientists are further down the pipeline again, to come to light in subsequent years.

Present development activity, says Wellcome, is at record levels, in terms both of products and of numbers of research staff. But although the group is now more forthcoming about the make-up of existing sales (see chart), it is reticent about what the development pipeline contains. Fortunately, a recently published study from stockbrokers Wood Mackenzie provides a picture—conceded by Wellcome on prostaglandins—of what products can be expected from the company in the future.

Previous areas of strength such as cough and cold remedies and tropical medicines are being replaced by new products, and three big new areas for the group—painkillers, prostaglandins and treatments for the central nervous system—should each be represented in the portfolio in the next few years.

Other big areas being worked on are anti-viral drugs (a massive market, still only being scratched by the likes of Zovirax, Wellcome's own highly successful anti-herpes treat-

ment) and anti-cancer drugs. Wood Mackenzie reckons, however, that Wellcome is devoting less energy to another vital area, anti-bacterials, perhaps preferring to "license in" new products from rival companies.

Wood Mackenzie concludes that although the range is wide, there are unlikely to be any blockbusters on the horizon. The drug with the largest market potential may be an anti-viral treatment—unromantically dubbed BV-301—which could be on the market by 1987 with a sales potential, say the brokers, of £50m.

In the past 18 months Wellcome's profit performance has been outstanding. Growth in terms, higher even than stock market favourite Glaxo. This should ensure that the group's flotation early next year will be in stock market terms be a major event.

Preliminary estimates put Wellcome's total market value at around £1.5bn, implying a £300m price tag for the initial 20 per cent offering (the eventual aim is to sell up to 30 per cent). Much depends, of course, on whether the present general nervousness in the UK stock market proved to be temporary.

Another intriguing angle is the attitude taken by Wellcome's rivals. The group's product portfolio and research strengths are a goldmine for competitors—a fact evidently considered by Wellcome in its attempt to have sold up holdings restricted to 10 per cent of the total (ruled out of order by the Stock Exchange). The group's owner, the Wellcome Trust, would doubtless block an outright takeover; but rivals seek to build up stakes in Wellcome as a means of forging closer links.

Wellcome is adamant, though, that one thing will not change as a result of going public—the group's commercial approach. "Someone recently asked me," says Alfred Sheppard, "whether we would have to change our ways as a listed company. My answer was—why lower our standards?"

## U.S. lawyers

## Priced into the market

BY FRANK LIPSUS

LAST WEEK in Washington, at the beginning of a two-part American Bar Association (ABA) convention that has continued this week in London, President Reagan got a big laugh for greeting participants to "the last tax deductible" ABA convention. It was not just tax lawyers who got the joke about the proposed revisions of American tax law regarding working holidays. Lawyers generally are becoming more and more aware of the growing business aspect of their profession.

Competition is eroding what was once considered the enduring loyalty in the totally private, if not self-effacing, relations between clients and lawyers. Advertising, as used by the "bottom end" on a contingency basis (illegal in Britain) is the most glaring evidence of the new environment. Though used by a tiny proportion of the profession, advertising has been called into question for pitches like the firm that produced a matchbook cover with the figure of blind justice pointing to the line, "free consultation," or another in the New York underground with the headline, "Had an accident?"

What the U.S. Supreme court decision allowing lawyers to advertise did in 1977 was to inspire the Woolworth end of the law to adopt this form of publicity. The Tiffany and Co. law firm, which has been in the business since 1979 and owned in part by the Associated Newspapers group, is influencing the attitudes by the publication of a lawyers' league table called The Top Law 50, which it promises will be an annual event.

The American Lawyer edition, Steven Brill, himself a lawyer who knew he was scaling a brick wall of silence when he started the magazine, gradually won the acquiescence if not the love of the profession. His Am Law 50 chart itself required the work of 13 staffers for three months to get information. When not from the firms themselves, it comes from clients, court records and former partners. More surprising than the need to dig was the co-

operation obtained from a majority of the firms. "By charging so much," reasons Brill, "lawyers have priced themselves into the marketplace and have to compete for business by giving service for their high fees. Most good professionals welcome it. The better ones end up doing better; the mediocre are in trouble."

The Am Law 50 shows that top firm income ranges from \$120m for number one, the takeover specialists Skadden, Arps, Slate, Beaghe & Floom, to \$44m for ex-President Nixon's old firm, Mudge Rose Guthrie Alexander & Ferdon. The calculations that measure profitability more than size put Wachell, Lipton, Rosen & Katz, another takeover specialist, first, in profits per partner with \$795,000 compared to less than \$200,000 per partner at the bottom of the list.

## Skills

If these crude measures of a professional man's worth, they are increasingly eyed not only by law-school graduates but also by partners themselves as they develop management skills for their behemoth practices. The convention included in this week's programme sessions not only on expected subjects like anti-trust, wills and estates, but on law-office management, the marketing of legal service and malpractice.

Law firms are not just being treated as a business, they are also acting like it. Major firms are splitting up as whole departments, like the real estate or tax group, to move together to another firm. Where firms used to cultivate promotion from within to encourage hard work and patience among associates vying for partnerships, now firms rely on "lateral" appointments in order to grow, especially into other cities or fields.

Such changes jeopardise the traditional t. apprenticeship assumptions on which firms are built. A key measure of law-firm efficiency is the partner-to-associate ratio. New recruits may seem well paid at \$50,000 for their first year in practice, but the firm charges them out to clients at \$250,000 a year, based on an average hourly

charge of \$130 and a very modest 2,000-hour year. Among the rules of profitability is "The partner has to get the client to take whomsoever he sends as good as himself."

Though America has a reputation going back to De Tocqueville as a lawyer-heavy litigious society, there was always room to absorb more lawyers in the profession. High salaries paid to the few thousand Wall Street associates belie a growing surplus of lawyers, the 600,000 of whom now make a buyers' market for legal services.

Even major firms are "capping" fees at the request of cost-conscious clients. Firms specialising in take-overs have capitulated to the top of the charts because theirs is one area where lawyers, as much as they get, are still basically only being paid by the hour when the brokers and bankers are earning a percentage on the deal and may be doing little more than the lawyers.

The Wall Street firms traditionally helped associates who did not become partners and jobs as in-house counsel to clients, making for large in-house corporate law departments while retaining some residual loyalty to the firms. The firms then became specialists and charged more. Once the former associates switched loyalties and firms were no longer general counsel but hired hands, corporations tended to shop around to fit the firms to the needs at the time.

AT&T has an in-house staff—about 420—that rivals in size the major firms, but companies have been levelling off their growth, while the major firms continue to spew associates into the marketplace after their eight- to 10-year stints.

The Wall Street firm of Sullivan and Cromwell lets associates leave with pieces of business, underlining its reputation for having more clients than it can handle. But its reluctantly-established mergers and acquisitions department, begun in the mid 1970s, was a direct response to the needs and demands of investment-banking and corporate clients, if not directly to the looming presence of the marketplace, which no American law firm dare ignore altogether anymore.

## THE ARTS

## Arts Week

F | S | Su | M | Tu | W | Th

19 | 20 | 21 | 22 | 23 | 24 | 25

## Exhibitions

## LONDON

The Tate Gallery, Francis Bacon, Britain's greatest living painter, accorded the rare distinction of age of 78 of a second full retrospective exhibition at the Tate. 20 years after his reputation as an artist of world standing was first put beyond all doubt. Now we see him no longer as a unique and extraordinary figure, but as an artist who has come at last to his own, as younger painters have come round again to the human figure as the central, creative preoccupation. As the subject matter is now more acceptable, so his peculiar and tormented reinvention and reconstruction of the figure no longer shocks. Ends Aug 18.

## PARIS

Benoit: An important exhibition of the most sensitive of the impressionist painters, who never tired of glorifying the nude female body exposing the light, comes to Paris from the Hayward Gallery, London. It consists of some 125 paintings and 30 drawings, including Le Bal du Moulin de la Galette and La Danse à Bougival, Grand Palais, Closed Tue. Ends Sept 2 (261 5410).

Robert and Sonia Delaunay: for the 100th anniversary of their births, this Paris and here in the Ukraine, a retrospective of some 300 objects, paintings, drawings and decorative projects brings to life their joint pictorial adventure. Whether exploring abstract painting or disorientation, Effort Toward Images, their colours are vibrant, their joie de vivre explosive. Musée d'Art Moderne, 11 Ave du Président Wilson, Closed Mon, Wed late closing. Ends Sept 6.

Perfumes: An enchanting exhibition in praise of perfume assembles 150 objects, mostly phials, bottles and perfume loutains from the 18th to the 19th century. Some were made of Venetian porcelain, others of Bohemian cut glass or from gold and enamel in England. There are silver pomanders with petals opening up and Chelsea china workmen. They all show exquisite workmanship and some of perfume's power to beguile. Le Louvre des Antiquaires, 2 Place Palais Royal, Ends Sept 15.

## WEST GERMANY

Münich, Staatsgalerie: modern Kunst, Frühexpressionismus: 1. German Art since 1900, 200 paintings, prints and drawings by 13 artists from the

private collection of the German Prince Franz of Bavaria. Among them: Beuys, Richter and Kiefer. Ends Sept 15.

Bonn: Rheinisches Landesmuseum, Cologne: 14 5300. Fairytales, Myths, and Monsters. 43 works by 22 European artists, among them Messager, Paludis, Schmalz, Taffelberg and Wessing. Ends July 28.

Bonn: Gröppel Bau, Skulpturen: 110 Berlin St. Treasure of the Forbidden Cities. Timed to coincide with this year's Berlin Horizon 85, the Peking Palace Museum is exhibiting for the first time, over roughly 120 works covering 3,500 years of Chinese history. The exhibition in Berlin includes gold, jade, paintings, porcelain, musical instruments and calligraphy. Ends August 18.

Hildesheim, Römer und Pelizaeus-Museum, Am Steine 1-2: Notret, the exhibition covering Women in Egypt. For its last stop in Germany, the exhibition will carry 177 pieces, an extra 96. Some 30 objects are on loan from the Egyptian Museum in East Berlin. It is the biggest assembly of Pharaonic Art. Ends Nov. 63.

Enden: Backe for the first time, over roughly 120 works covering 3,500 years of Chinese history. The exhibition in Berlin includes gold, jade, paintings, porcelain, musical instruments and calligraphy. Ends August 18.

Berlin, Nationalgalerie, Potsdamer Straße 50: New acquisitions '75-85, offer 500 works from between 1820 to 1885. Some 300 important artists participate. Ends Aug 25.

## BRUSSELS

Opera costumes from 1989 to the present including Zeffirelli's Rigoletto, Boesche's Traviata and Karl Ernst Herremann's Clemency of Titus. Musée de Costumes et Dentelle. Until November.

Tony Cragg—a major exhibition of one of Britain's contemporary sculptors. Palais des Beaux Arts. Ends July 28.

## ITALY

Florence: Museo Archeologico (Piazza SS. Annunziata): The Etruscan civilization. This is the first of a long series of exhibitions to mark The Year of the Etruscans, and shows the results of the most recent research into the Etruscan world. A useful history of this civilization's birth, development and decline. Ends Oct 20.

Rome: Palazzo Venezia: Five Centuries of Music Publishing in Europe organized to mark European music year, and the fourth centenary of the founding of the Academy of Saint Cecilia, whose library has provided the bulk of the fascinating material. The time span and the number of manuscripts (and paintings) is enormous (roughly one room per century), but a useful shortened route has been provided through a series of attractive arched pavilions, containing the cream of the music publications of each period. Ends July 31.

Rome: Villa la Farnesina (Via della Lungara 230) and Colonna Nazionale (Via della Stamperia 6): Raphael Invents: A large collection of

prints of exceptional quality by Raphael's followers and admirers, from the earliest, by Marcantonio Raimondi, done in Raphael's workshop, to the late 18th and early 19th centuries. Particularly interesting is the first section (containing mainly 18th century works) in the Villa Farnesina, where one can compare the prints with Raphael's glorious original frescoes in the loggia. The second section, in the Calogratia, contains mainly later prints of the frescoes from the Stanza della Segnatura in the Vatican. Ends July 30.

Milan: Palazzo Reale: George de la Tour. The Berlin Years: Pierre and anguished paintings from the period 1917 to 1933. Ends July 29.

Florence: Palazzo Pitti (Sala Bianca): Modern masters from the Thyssen-Bornemisza collection. The picture to be had from this remarkable exhibition is that it reflects the taste and prejudices of one individual: one of the few who can afford to collect, Monet, Gauguin, Picasso—and who is generous enough to send them to be exhibited in France, England, the U.S., Australia, Japan, and now Italy. This same collection, with a few exceptions, was seen at the Royal Academy in London last autumn. Ends Sept 29.

Madrid: Palacio de Cristal and Palacio Velazquez, Parque del Retiro: Spanish sculpture 1900-36. Sculpture and drawings by Picasso, Miro and contemporaries. The selection includes two works by the 1937 Paris exhibition, at the height of the Spanish Civil War, and now shown in Spain for the first time: Picasso's Femme au Vas and Julio Gonzalez's La Montserrat. Ends July 30.

Santander: Paintings and sculpture by modern Spanish artists, Antonio Lopez, Andreu Alfaro, Antonio Saura, Eduardo Chillida, Fundacion Marcelino Botin, Santander. Ends Aug 8.

## SWITZERLAND

Martigny: Fondation Pierre Gianadda: 250 Klee paintings in the striking modern gallery built over the Roman ruins of the city of Octodurum. Ends Nov 3. (028/23878).

## VIENNA

Vienna 1870-1936: Dream and Reality: The greatest names of the Viennese fin-de-siècle—Klimt, Otto Wagner, Schiele, Kokoschka, Adolf Loos, Josef Hoffmann—in a dazzling display of Jugendstil creative genius. The attempt to integrate the artistic achievements of this era with philosophical developments (notably Wittgenstein but also Freud) and political transformations (the emergence of municipal socialism on the one hand and the ill-fated and ultimately unsuccessful attempts at social reform on the other) is hinted at but not fully explored. A high point of the show is a reconstruction of Hoffmann's room at the secession exhibition of 1902. Here,

triumphantly restored, is Klimt's fifty-foot Beethoven frieze depicting humanity's progress through suffering to joy on the theme of the Ninth Symphony. Displayed exactly as intended, this alone is worth a special visit. Kunsterhaus. Ends October 6.

## NEW YORK

Metropolitan Museum: 30 objects from the period between the 1851 Crystal Palace Exhibition to the 1900 World Fair in Paris demonstrate the show's theme of Bevalius to the Exhibition of European decorative arts. Ends Sept 5.

## WASHINGTON

National Gallery, Ancient Art of the American Woodland Indians includes 151 pieces covering 5,000 years of sculpture, ceramics, copper and shell objects of the native Americans who lived in what is now the eastern half of the U.S. Ends Aug 4.

## CHICAGO

Art Institute: Though Edward Manet made etchings primarily to reproduce and publicize his paintings, he developed a unique style as shown in the 27 etchings in this special exhibit of more than a third of his total output of 75 etchings. Ends Sept 2.

## TOKYO

Qing Dynasty Treasures from the Forbidden City, Peking. An important exhibition of 273 pieces showing the elegance and craftsmanship of the Qing Dynasty (1644-1912). Costumes, ornaments, ceramics, paintings plus imperial banquet room setting, all magnificently displayed in Tokyo's best department store art museum, Seibu Department Store, Rebukuro Branch. Ends Aug 28, closed Thursdays.

Masterpieces from Idemitsu Art Gallery: From one of Tokyo's finest private museums belonging to Sano Idemitsu, the best from an outstanding collection of Oriental ceramics, crafts and paintings. Idemitsu Art Museum, 6th floor of Kokusai Bldg. Kibiya. With magnificent views overlooking Tokyo's tranquil central (most and green around Imperial Palace) Japanese tea-countryside. Ends Sept 1, closed Mondays.

Kabuki Actors in Ukiyoe: Exemplifying the close relation between 17th century theatre and print art, the ukiyoe Kabuki actors, artists and the "geisha" industry belonged to the same social strata (low). While capturing a romantic past, the prints also recall the paradox of disapproving official policy and the leniency which permitted this demi-monde to flourish. Such contradictions bewilder to foreigners are typical of modern-day Japan too, and said to originate in Zen. Rikkyo Art Museum, New Rikkyo Bld (7th Fl) near International Arcade, Kibiya. Ends July 28, closed Mondays.

## Music

## LONDON

Brigitte Fassbender, mezzo soprano, accompanied by Irwin Gage, Schumann, Berg and R. Strauss. Wigmore Hall (Mon). (9352141).

BBC Symphony Orchestra and Chorus conducted by Sir John Pritchard. With Alison Hargan, soprano, Sarah Walker, mezzo and David Wilson-Johnson, baritone. Sessions and Mahler. Royal Albert Hall (Mon). (5995212).

## PARIS

La Grande Ecurie et la Chambre du Roy with Rene Jacobs as conductor and counter tenor, Hans Govers, harpsichord, Bach, Handel (Mon 8.30pm). Salle Pleyel.

Sylvie Courbin, piano. One hour with Beethoven (Tue 8.30pm). Sorbonne, Amphitheatre Richelieu.

## ITALY

Torino: Teatro Regio: The Italian Youth Orchestra conducted by Piero Bellugi. Beethoven, Bartok and Mahler (Tue). (548000).

Venice: Chiesa Interiore di S. Fermo: The Italian Youth Orchestra conducted by Piero Bellugi. Beethoven, Bartok and Mahler (Tue). (548000).

## NETHERLANDS

Amsterdam, Nieuwe Kerk (Dam Square): Organ recital by Bernard Wisselink. Cuperlin, Vienne, Alain (Thur). (5711888).

## CHICAGO

Bayliss Festival (Highland Park): Beaux Arts Trio: Haydn, Mendelssohn, Ravel (Mon); Brahms, Mozart, Schubert (Tue); London Symphony Orchestra, Neville Martinson conducting; John Bowring, piano; Verdi, Mozart, Rachmaninoff (Wed); Chicago Symphony Orchestra conducted by James Conlon with Young Kim, violin; Steven Liskovsky, Mendelssohn, Dvorak (Thur). Highland Park. (5742424).

## TOKYO

Kiri Piano Quintet: Dobnanyi, Schumann, Schubert, Toshi Center Hall (walking distance from New Otani and Akasaka Prince Hotels). (Mon). (7511888).

Takenaka: Watanabe (violin): All-Bach recital. Ishibashi Memorial Hall. (Wed). (5711888).

## Opera and Ballet

## LONDON

Royal Opera House, Covent Garden: The Royal Ballet follows six Swan Lakes with La Fille mal gardée on Wednesday. (041006).

Coliseum: London Festival Ballet in Ashton's Romeo and Juliet. (9363161).

## PARIS

Robert le Diable alternates with Solitude de Balais and with Tessa. Conducted by James Conlon with Raina Kabaivanska in the title role and Giacomo Aragall in that of Cavaradossi. Paris Opéra (268 5022).

## WEST GERMANY

Stuttgart, Württembergische Staatsoper: Faust, sung in Italian, has fine interpretations by Karen Armstrong, Marjanna Lipovsek and Guillermo Sarmiento. It is conducted by Silvio Varviso. End of season, new season opens on Aug 31 (50321).

## ITALY

Roma, Terme di Caracalla (Rome Opera Summer Season): Turandot, conducted by Daniel Oren, produced (and with scenery and costumes) by Silvano Busotti. Gwyneth Jones alternates with Gaila Savova in the title role. Diana Soviero and Miwako Matsunaga in the role of Liù, and Nicola Martinucci and Cornelia Murgia as Calaf. (Tue). (481755).

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Roma, Terme di Caracalla (Rome Opera Summer Season): Turandot, conducted by Daniel Oren, produced (and with scenery and costumes) by Silvano Busotti. Gwyneth Jones alternates with Gaila Savova in the title role. Diana Soviero and Miwako Matsunaga in the role of Liù, and Nicola Martinucci and Cornelia Murgia as Calaf. (Tue). (481755).

Amsterdam, Nieuwe Kerk (Dam Square): Organ recital by Bernard Wisselink. Cuperlin, Vienne, Alain (Thur). (5711888).

Bayliss Festival (Highland Park): Beaux Arts Trio: Haydn, Mendelssohn, Ravel (Mon); Brahms, Mozart, Schubert (Tue); London Symphony Orchestra, Neville Martinson conducting; John Bowring, piano; Verdi, Mozart, Rachmaninoff (Wed); Chicago Symphony Orchestra conducted by James Conlon with Young Kim, violin; Steven Liskovsky, Mendelssohn, Dvorak (Thur). Highland Park. (5742424).

Torino: Teatro Regio: The Italian Youth Orchestra conducted by Piero Bellugi. Beethoven, Bartok and Mahler (Tue). (548000).

Venice: Chiesa Interiore di S. Fermo: The Italian Youth Orchestra conducted by Piero Bellugi. Beethoven, Bartok and Mahler (Tue). (548000).

Amsterdam, Nieuwe Kerk (Dam Square): Organ recital by Bernard Wisselink. Cuperlin, Vienne, Alain (Thur). (5711888).

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Torino: Teatro Regio: The Italian Youth Orchestra conducted by Piero Bellugi. Beethoven, Bartok and Mahler (Tue). (5



## THE ARTS

Cinema/Paul Taylor

## Sharp edge of a bloated yarn

The Life and Death of Colonel Blimp directed by Michael Powell and Emeric Pressburger  
Diary for My Children directed by Martin Mezzasana  
The Coca-Cola Kid directed by Dusan Makavejev

"What is it really about?" queried reviewer C. A. Lejeune of Michael Powell and Emeric Pressburger's magnum opus, the Life and Death of Colonel Blimp, back in 1943. The question — posed at a time when both Churchill's government and Britain's cultural guardians treated with suspicion any departure from the reductionist tenets of realism — now seems, or should seem, quaint. The film, re-launched after painstaking archival reconstruction in a stunning new Technicolor print, seems anything but.

Blimp offers no mere nostalgic complement to the bloated yarns of Empire and period-pretty country-house sagas that have predictably clogged much of British film year. Potentially re-presented as one of the key works of its unique writer/producer/director team (and therefore of the similarly underrated native cinema of wonder), it fronts a demand that questions like Lejeune's be unpacked of their basic assumptions about what British Cinema may permissibly be.

The fantasy of Blimp is less about escapism than about essence. Its narrative encompasses 40 years of the life and soldiering times of Major General Clive Wynne-Candy VC (Roger Livesey), in flashback from his symbolic "death" in 1925—the moment of apparent defeat for his defining values, and the one point in the film where the character is visually "matched" to the David Low cartoon figure of his. The progress is marked by three historical moments when the gentlemanly complacency of both Candy and his country is challenged by conflict: moments brought into productively alive and allegorical focus by Candy's enduring friendship with German officer-cum-refugee Kretschmar-Schuldorff (Anton Walbrook) and his elusive relationship with three women (each played by Deborah Kerr).



The strictly wonderful "Life and Death of Colonel Blimp"

Any isolated sequence could serve to exemplify the audacious plenitude of Blimp, but the very first static image from the opening titles might suffice: a heraldic tapestry of an eccentric figure on a horse, at once aptly evoking Bayeux, St George, Quixote and Blimp. Two-and-a-half-quarter hours of similar, seriously playful structuring of ideas and images ensues, all of it, in the strictest sense of the word, wonderful. Really.

An advance screening of Blimp has been one of the first-week highlights of the 9th Cambridge Film Festival, which continues with its judiciously eclectic mix of local premieres, national previews and retrospective shows until July 23. Partly a celebratory adjunct to year-round initiatives in intelligent programming (at the Arts Cinema), and partly a site for genuine "only-chance"

viewings, the Cambridge event has rapidly consolidated its status under the guidance of Tony Jones, and is this year conspicuously mounting comprehensive tributes to Francesco Rosi and Percy Adlon. New features from the likes of John Frankenheimer, Susan Seidelman and Woody Allen also spice the upcoming programme (full details on 0223 352001) before Nicholas Roeg's *Insignificance* closes the festival with a welcome reaffirmation of the pyrotechnic potentials of the British cinematic imagination, and a great line in titular self-assertion.

Much lauded on last year's festival circuit, to which the Hungarian authorities finally allowed it access some two years after its completion, *Diary for My Children* represents an odd and troubling, if yet broadly predictable, breakthrough film for Martin Mezzasana. An autobiographical basis and a con-

troversial explicitness about its critique of post-war Hungarian politics provide handy hooks for advocacy, but seem to cut across the coolly empathetic strengths of the director's earlier, observationally minimalist dramas. Devotees of *Adoption*, *Nine Months* or *The Two of Them*, each marked by a sort of matter-of-fact feminism, almost as a consequence of their unforgotten naturalism and contemporary settings, might well be surprised, for instance, to find Mezzasana's annotations of the bleak and frightening years between 1947 and 1953, lived under the shadow of Stalinism, cast in the form of a girl's shuffling of potential surrogate fathers.

Mezzasana inscribes herself in the film as Juli, a teenager orphaned in the USSR (her sculptor father having fallen victim to the pre-war purges), and now returned to her Budapest birthplace to an adoptive family set-up sustained by elitist Party privilege, against which she soon stubbornly kicks. Solace initially emerges from an addiction to cinema (an effective mockery of her hard-line aunt's vigilance), then from relationships outside the charmed, correct circle. Juli treads on dangerous ground (more dangerous still for some with whom she forms a curious bond), but is clearly stumbling towards some sort of maturity, of oppositionalism, of independence. *Diary's* sequel, projected to take Juli's story through to 1956 and 1968, will be anticipated with no little impatience.

The Coca-Cola Kid, by contrast, can hardly fade from the mind quickly enough. Making even Werner Herzog's recent Australian folly *Where the Green Ants Dream* look too profound and profoundly comic, this is Dusan Makavejev Down Under with a quarter-wit satire on corporate capitalism and its crustily coddly competition (Soft Drinks Division), hanging bauble-bright "anarchic" diversions and an insurance-policy ogling of Greta Scacchi's body along the way. *Diary* is gagging before turning disinterestedly apocalyptic.

## Lulu/Munich Opera Festival

David Murray

Now that Lulu, left unfinished when Alban Berg died in 1935, has been faithfully completed by Friedrich Cerha, productions of the opera are springing up everywhere. As well they might: Lulu is a masterpiece, but we needed the missing last act to reveal its full breadth and depth. Though the Bavarian State Opera has climbed on to the bandwagon later than some, it has thus been able to cast from the new international pool of world players; and it has Cerha himself, conducting his own realisation of the score for the first time.

Above it has Catherine Milstien's Lulu, a dazzling creature whose charms are almost too generously celebrated by Jean-Pierre Ponnelle's production. The role used to be thought impossible to fulfil: Lulu needs the physical allure of an amoral nymph, confident high colouratura, a sexy middle register, polished farce technique and the lyrical subtlety of a real *Liedersängerin*. Lulu has all that, and also she can dance; she is uncanny. All she lacks is the vulnerability that is needed to turn the final act into authentic tragedy, and there I think it Ponnelle who has let her down.

The production is so heavily stylised as to be lightweight. The

single set consists of four tiers of balconies, each with ten panted doors, flanked by spiral fire-escape stairs. The structure suggests equally a theatre interior, a hospital, a prison, a tenement; what could be more cleverly apt? There is even room for Lulu to make a full entrance down a rope, and Pet Halmen's costumes confirm the circus clue. Except for Lulu everyone is in basic white, dirty white for the scruffy characters (the supernumeraries even have touch-banded faces) — with touches of colour to mark individual quirks. Lulu alone is in lurid red, insofar as she wears anything much, with Tabasco-tinted hair in effloresces from wild mane to demi-mondaine to London punk.

The effect is to isolate her from any vital contact with anybody. Ponnelle's vision is of Lulu-as-myth. Alwa byzms her ankles and knees at a respectful distance, from which in fact he cannot see those delightful portions of the lady — she is wrapped in her own portrait-on-canvas at the time. The fatal portrait becomes a real painting only when circumstances absolutely require it; it is not a portrait of Lulu *dis rinzern*, but a hazy Kitch face mostly spread across the panels of the entire backwall. (The

Artist is first seen working distractedly at a huge right nostril). Bourgeois reality disappears, though that is what Wedekind's Lulu should be subverting, and Berg was so careful to preserve the Wedekind-world that he kept a lot of unsingable spoken text in his opera. The set works least well when it has to be Dr Schön's comfortable mansion, and Franz Mazura's agonised shudder away in a social void. A reminder: Günter Reib's harassed businessman at Covent Garden with renewed respect, and the solid context that Götz Friedrich gave him: that was grossly funny and cruel, where Ponnelle leaves room only for abstract melodrama. The descent here from sumptuous boudoir to dust-covered dereliction makes no impression.

These are, however, complaints about the production, and no great opera is wholly at the mercy of a production. Mazura's Schön is still a sharply tragic figure, and Jacques Truscel's Alwa, mature but innocent, does better justice to his "hymn" and his monologues than most. Hans Hotter gives authority Berg's extraordinary Schigoleb again, and it is better than ever. Claus H. Ahnsjöv's Artist is gracefully sung, if a bit faceless, and he makes a

viciously bland Negro (Berg's prescribed role-doubling are respected). The most deeply felt portrayal by far is Brigitte Fassbender's lesbian Countess, which is by now no surprise. It is left to her to indicate the deep layers of Act 3, after that in his opera. The set works least well when it has to be Dr Schön's comfortable mansion, and Franz Mazura's agonised shudder away in a social void. A reminder: Günter Reib's harassed businessman at Covent Garden with renewed respect, and the solid context that Götz Friedrich gave him: that was grossly funny and cruel, where Ponnelle leaves room only for abstract melodrama. The descent here from sumptuous boudoir to dust-covered dereliction makes no impression.

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Mutiny!/Piccadilly

Michael Coveney



David Essex

Musicals have to be really good to justify an exclamation mark in the title. *Officer* and *Okla-homa!* pass this crucial test. *Trumpet* and *Morilyn*, most unmemorably, did not. Nor, I am afraid, will *Mutiny!*, a waddling witless farce from which you emerge, as every critic will say, humming the scenery partly for want of anything else to hum but chiefly because the scenery is indeed extravagantly, pointlessly, spectacular.

The cast assemble on a bare stage, declaring their identities for the simple reason that nothing later in the show will do the job for them. It is 1785 and Fletcher Christian (David Essex) is joining an expedition to the South Seas led by his old friend William Bligh (Frank Finlay). They are to collect a consignment of breadfruit tree saplings for slaves, Bligh's bogus "captivity" and Christian's dawning liberal repentance, after the Tahitian stop-off, at coming in the slave trade, provide what may loosely be described as the dramatic tension leading to the split and the mutiny.

Richard Crane's book leaves no room for Laughtonesque displays of psychopathic blubber-

ing (more's the pity), aiming for historical authenticity with passages of what sounds like Bligh's own diary and an exposition of the uprising as almost accidental. But the story is handled in a manner so inefficient that hunks of bleeding narrative information are still being thrown around in the last half hour.

I have no idea what it must be like to perform in *Mutiny!*

## Rodrigo/Sadler's Wells

Max Loppert

Rodrigo (1707), which Handel Opera this week presents as part of the Handel Tercentenary Festival, is Handel's first Italian opera — the first to be written to a wholly Italian text, the first to be produced in Italy (at Florence) for an Italian audience. Until recently it has been seen as a mystery piece among Handel operas, being incomplete in its various autograph sources (Handel Opera gives the work in a very successful reconstruction by Anthony Hicks and Charles Farncombe) and being known to posterity under a useful, portable title that is not the authentic one (*Vincer se stesso è la maggior vittoria* — "Self-mastery is the greatest victory" — is the cumbersome original).

The illumination of Wednesday's performance lay as much in discovering what Rodrigo is not as in appreciating what it is, in deciphering perceptions about theatrical situation and psychological characterisation that were to lead Handel to his most brilliant short-circuiting of serious convention and formula here no more than faintly hinted at. The plot, an almost impenetrable farrago of medieval Iberian doings, appears — at least in this near-complete, lengthy and gold-disco original-language account of it — to describe slowly repeating circles of action (the final act, in which the two leading couples make their successive reconciliations, both joint and several, was one of the places where mental fingers began to itch for the cutting scissors).

The Scarpitiano model was still Handel's close working guide; and he responded to it with some beguiling examples of his best youthful lyricism (the Act 2 minor air for the heroine Esclara touches genuine Handelian depths), with a couple of strikingly accompanied recitatives in Act 3, and with more than one passage in between that seems to achieve little more than energetic tickling-over. Rodrigo is a score that Handel later returned to raid, frequently and positively. The experience of it is not a waste of time, but the puny, sparkish semi-comedy of the next Italian opera, the Venetian Agrippina, feels a long way off.

A modern revival is obviously

a difficult undertaking. Tom Hawkes, usually so reliable a Handel Opera producer, seems to have despaired of making it work except as superior village-ball spectacle. The designs by Peter Rice include some of the most ridiculous costumes and head-dresses seen on this stage for a long while, a touring company's Gypsy Boy, Ponce and Tronatore wardrobes subjected to frenetic mix-and-match; there is a deal of decorative filling-in, not as destructive — some interval voices argued — as the imposed business in the current Spitalfields Arena, but messy and often meaningless. The arrival during the overture of the cast on a Rodrigo-battered cart furiously musing "Let's Make An Opera" intentions was an idea fortunately left undeveloped thereafter.

The standard of the singing, though far from unacceptable, doesn't quite make up the difference. One feels that Pelelope Mackay (a brave last-minute occupant of the title role) and Janis Kelly (as Rodrigo's main rival) are better Handel actors than Handel singers: Marie Storaas and Sandra Dugdale as their love interest both improved after shaky starts to achieve poised, shapely lines. Though Ian Caley (Giuliano) was rough in bravura flourishes, it was pleasant to have some tenor relief from the prevailingly high vocal pitch. Charles Farncombe belted together with his usual good sense what sounded like an insouciantly rehearsed performance. Final showings tonight and tomorrow.

## Ballet première

The world premiere of Wayne Eagling's first work for The Royal Ballet, *Frankenstein, The Modern Prometheus*, will take place at the Royal Opera House on July 26. It will be part of a triple bill with *Birthday Offering* and *La Boyadere*.

With a commissioned score by Vangelis and sets and costumes by Emanuel, the work is sponsored by The Mathilda and Terence Kennedy Charitable Trust and the cast will include Alessandra Ferri, Stephen Jeffries and Jonathan Cape.

## Royal Philharmonic/Barbican Hall

Andrew Clements

The Royal Philharmonic's French programme at the Barbican on Wednesday — part of the City of London Festival — brought Louis Frenaux back to London. He seems to have been a rare visitor since he departed the Birmingham orchestra in the late 1970s; as he demonstrated here, he conducts his native repertoire with a good deal of common sense and straightforward clarity.

Despite its exemplary manners and well kept orchestral playing the concert took a while to come alive. The audience was small — what is it about even popular French music that seems to guarantee disaster at the box office? — and it was hard for the players to generate much sense of occasion. Several empty seats in the Barbican seem far more intrusive than they ever do on the South Bank; the orchestra becomes remote and detached from the listeners.

It was eventually Nobuko Imai's account of Berlioz's *Harold in Italy* that concen-

trated everyone's minds. Mr Frenaux had earlier directed an urgent, brassy Roman *Coriolanus* overture and a rather solemn exploration of Ravel's complete *Ma Mère* which have been a rare account of such an atmospheric score the solo playing; really needs to be non-polished than the RPO principals produced; here it became a progressively more soporific deal of common sense and straightforward clarity.

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## California Dog Fight/Bush

Martin Hoyle

Q: When "Can" stereotyped characters, the odd rôle of cracker-barrel philosophy and a dose of protable sentimentality add up to a funny and touching play?

A: When written with honesty and straightforwardness by Mark Lee, and produced by Simon Stokes in his Shepherds Bush outpost of promising new writing and beautifully drilled ensemble playing.

The weaknesses first. The two dog owners who match their fighting beasts on an abandoned pear-farm in the sun-scorched Sacramento delta (those dead fruit trees are not a thousand symbolic miles from The Petrified Forest) are familiar types. The chivalrous Vern is the nice guy. He talks about caring, loves his dog and is a born loser whom John Shrapnel makes both likeable and credible. Rawley, played with throttled vocal chords and dark glasses by Stuart Wilson — a magnificently sinister presence — is a sharp dresser; a ruthless go-getter who sees no nobility at all in Lillian, the wise-cracking croupier, sweetening in her tight and ruefully showing off the jewellery she has always had to buy herself.

Mr Lee writes funny and true dialogue (when he keeps off the subject of caring) which the cast relishes to the full.

Deborah Norton, a robust actress whose strokes can sometimes spread into sploidy broadness, has never been better. Her Lillian faintly resembles Barbara Stanwyck; her drawing, throwaway delivery and carefully-judged timing are just right. Cliche or not, this good-hearted good-time girl, taking refuge in memories of the broken-down rodeo star she once loved, actually matters, as does Mr Shrapnel's Vern.

Each "bandler" — a cross between a boxer's trainer and a duelist's second — is sharply etched. Daniel Webb's Pete is an ambitious roughneck, clouting the infatuated college student (Lizzy McInerney) and unforgettably betting against him and Vern's dog, Big Boy ("I just wanna take a little money"). Jimmy Chisholm's Skip, almost psychopathically aping his master Rawley, never quite convinces in the latent violence that nears extends to murder. But the dogfight itself, each character inwardly commenting as the players circle tensely round the pit, is totally gripping. Grant Hicks's set is a southern discomfort in the life and Big Boy is played by Benet Beauson, a sturdy little snorter with sad eyes. Dog-lovers must be warned (I am one) not to blub at the end.

## Saleroom/Antony Thorncroft

## What's in a head?

A Roman marble female figure of the first century AD, lacking an arm, a hand and a head, sold for £15,400 at Sotheby's antiquities sale yesterday. The price was twice the top estimate. All in all the two day auction was a mixed success, with a total of £806,894, but over 36 per cent bought in.

A group of South Italian vessels from the Greek city states made in the fourth century BC were not very popular, although one sold for £7,000. In contrast the front from a large Roman marble sarcophagus of the third century AD, depicting a loving couple united in death was on target at £22,000. A lot consisting of South Italian Greek armour of the fifth century BC did quite well yesterday, selling for £8,800.

As usual the coin sale at Sotheby's did better, with a morning total of £34,330 and just 4.29 per cent unsold. A U.S. quarter dollar of 1855, a little bag marked, far exceeded its £500 estimate at £2,682, while a broad triplethaler, struck to celebrate the Peace of Westphalia in Saxony in 1650, went for £1,705.

In the first session of Christie's decorative arts auction a 180-piece Aeon pattern table service by George Jensen tripled its forecast at £20,520. A Liberty silver tea set of 1901, with the design attributed to Archibald Knox, also exceeded expectation with a price of £2,150, as did a Huxlin and Heath electroplated metal mounted glass claret jug, designed by Dr Christopher Dresser, in 1879; it sold for £8,480.

Christie's also held a print sale which totalled £120,047, with 18 per cent unsold. Twenty-six plates of arabesque decorations in the Vatican loggia, published in Rome around 1780 after Giovanni da Udine, sold for £16,200, on target.

Perhaps of more interest were 24 prints by Queen Victoria and Prince Albert, the majority produced by the Queen, which sold for £9,180. The royal couple were much taken by elching in 1840, and this group includes two of their rare depictions of animals, a greyhound and a terrier. Most are things of their daughter Victoria, the Princess Royal, who was born in 1840.

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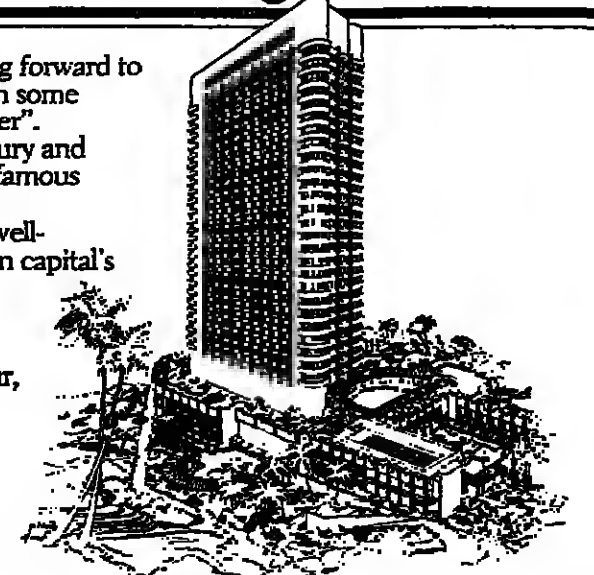
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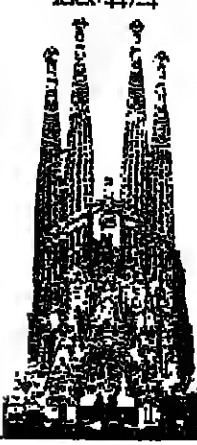
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## Japan's trade in perspective

THE JAPANESE Prime Minister, Mr Yasuhiro Nakasone, is likely to receive a frosty reception when he arrives today in Brussels, to outline the package of import-promotion measures which he is due to unveil in Tokyo next week. European leaders are highly sceptical about the likely benefits for their own industries from any formal steps to liberalise Japan's trade. They are aware that, from a legalistic standpoint, the Japanese economy is already one of the most open in the world. They know that little tangible benefit has emerged from past import-promotion packages. And they suspect that mollifying protectionist sentiment in America will take a higher priority in Japan's trade policy than satisfying demands for greater market access from Europe.

All these perceptions are right. But the inference which many European leaders seem to be drawing from them—that tougher protectionist measures may have to be imposed against Japan if Mr Nakasone's liberalisation package fails to make significant inroads into its huge trade surplus—is misguided and dangerous.

Politicians in Europe and America naturally find it tempting to conclude, from Japan's low tariff structure and relative lack of formal import controls, that the country's huge trade surpluses must result from some kind of conspiracy against foreigners among Japanese bureaucrats, businessmen and consumers. If this were really the case, then demands for immediate dismantling of "non-tariff barriers," backed up by serious threats of retaliation, would be fully justified. Japan's merchandise trade surplus, expected this year to rise from \$4.5bn to around \$5.5bn, is beginning to have a genuinely destabilising effect on the international systems of trade and finance; sooner or later it will have to be drastically reduced.

## Traditions

Even the Nakasone government's standard excuse—that Japan's low import propensity is a product of deep-rooted traditions and lack of attention to cultural differences in the Western approach to marketing—would provide no argument for further forbearance by Japan's trading partners. If Japan expects to benefit from the free trading system built up by Western nations, it cannot expect its own traditions to be untouched by the experience.

## Blow to Belgian recovery

THE RESIGNATION of the Belgian cabinet and its rejection by King Baudouin may one day be forgotten as the crisis that never was. One must hope so in the interests of the stability of Belgium and of its continued recovery from a disastrous economic situation at the start of the decade.

But at present there is reason to fear that the events of the past few days may have serious consequences. Open and at times malicious bickering among the members of the cabinet of Mr Wilfried Martens will not have helped public confidence in an administration that will have to go to the polls in October on an intrinsically unpopular programme of economic austerity.

As it is, the Socialists have gained support in Wallonia, the home of the French-speaking Belgians, and many of the country's highlighted ageing industries, in reaction to government retrenchment. They have also espoused the cause of Walloon nationalism, adding to the historic tensions between Walloons and Dutch-speaking Flemings.

An enhanced role for the Socialists after the election could gravely complicate both economic and foreign policy for the Belgian Government. The Socialists oppose the deployment of cruise weapons in Belgium, in defiance of an agreement reached within Nato.

Because the majority of the Martens coalition is narrow and because the constituent parties are split not only along ideological lines but also into Flemish and Walloon parties, the election result in October may leave no way out other than bringing the Socialists into government. Belgium's experience with coalition between parties of such different ideology as the Socialists and the Flemish and Walloon Christian Democrats has not been happy. In the present situation such an administration would be hamstrung.

For the moment as a result of the King's intervention continuity of both foreign and economic policy is assured. Flemish and Walloon Christian

Democrats as well as Liberals are committed to the economic stabilisation programme. But in its weakened condition the Government may find it difficult to pursue a consistent line.

Two subjects have to be tackled before the dissolution. Some loose ends need tidying up in the "regionalisation" of Belgium, the transfer of certain powers from the central government to the language regions.

The other subject the Government intends to take on is a tax reform, to take effect in 1986. The Government's intention is to reduce some taxes. Given the political uncertainties, the temptation will be great to go for a compromise, unless they are compensated for by increases elsewhere or by strict economies, is almost non-existent. Since coming to power the Martens Government has shaved the central government deficit, but at 10.5 per cent of gross domestic product it still is excessive.

Similarly, progress made with external payments is relative only. The current account did, indeed, swing into surplus last year after having been consistently in deficit since 1977. But largely to low domestic demand which held down imports. The economic situation illustrates what dangers were conjured up when the French-speaking Liberals in the coalition under M Jean Gol clashed with the French Social Christians under M Charles-Ferdinand Nothomb. M Gol had a good case when he called for the resignation of M Nothomb, the Minister of Justice, because of the mishandling of security at the Heysel football stadium. But his motives were not unimpeachable. M Nothomb, in his turn, could have staved off the cabinet crisis if he had resigned.

Now that the political damage has been patched up, all concerned should give priority to preserving stability. No risks should be taken with the issue of regionalisation. And the termination should be avoided to ensure the economic programme to short-term political advantage.

IN THE short history of post-colonial economic development, there are perhaps only two success stories which can genuinely be held up as economic models for other developing countries.

South Korea and Taiwan are the only sizeable countries to have pulled themselves up, within a single generation, from dire poverty to living standards approaching those in parts of Europe.

The city states of Hong Kong and Singapore have done as well, or even better; but their tiny economies, built up on the financial spin-offs from booming markets, cannot provide much inspiration for large and predominantly rural Third World countries.

South Korea and Taiwan, by contrast, are substantial nations, with populations of some 40m and 20m, and with diversified economies built on peasant farming as well as factories and services. In South Korea, agriculture still accounts for 14 per cent of Gross Domestic Product and 34 per cent of employment, while in Hong Kong the corresponding figures are 1 and 3 per cent. Services generate only 47 per cent of Korea's Gross Domestic Product, against Hong Kong's 69 per cent.

Furthermore, Taiwan and Korea started their development from a lower level. Korea was poorer than Ghana or Sudan, in terms of GDP per head as recently as 1960. Since then, the two Far Eastern countries have each grown by over 8 per cent annually. Average wages in Korea have risen to \$4,500 a year and in Taiwan, which has always been the richer country, they are some 30 per cent higher.

Life expectancy in Taiwan has reached the European and American level, while in Korea it has improved by eight months for every year since 1960. Illiteracy is all but eradicated in both countries and a Korean teenage boy is likely to complete a full 12 years of high school education then one in Italy or Britain.

It is not surprising, then, that South Korea and Taiwan are viewed with envy and admiration by other developing countries. Korea in particular has become a paradigm of successful economic development—especially since Taiwan has been banished into diplomatic limbo with China's acceptance into the community of nations.

As a World Bank staff paper recently put it: "An economic theory that is able to unfold the forces shaping Korea's recent history, could very well dominate thinking for years ahead." The paper added: "It is no surprise that the rival creeds have been jockeying for position, each claiming Korea for itself."

For traditional development economists, the Korean model has been epitomised by what a 1983 World Bank study by three Korean and Japanese economists called "strong partnership between government and the private sector."

Two key provisions distinguished Korea from many other Third World countries in this analysis. Government took advantage of market forces, rather than working against them. And, after an epidemic of corruption under the Syngman Rhee regime which fell in 1960, bureaucrats operated primarily by giving strategic guidance to private industries, rather than doling out discretionary privileges and subsidies.

The newer breed of free

market economists today, on the other hand, see Korea's success in an altogether different light. They stress Korea's export-orientation, its remarkably low ratio of government spending to national income, the competitiveness of its business environment and the lack of militant unionism among its workers.

All facts. Yet, like the older interventionist view, the currently fashionable laissez-faire model disguises as

much as it reveals about Korea. Korea's export drive, for example, took off from an industrial base built up behind impenetrable protectionist barriers. These were designed quite consciously, on the Japanese model, to promote import-substitution, as well as export growth.

The neo-classical school does not deny this. It argues, however, that the government meddling was irrelevant, or worse, to Korea's economic successes. A series of influential neo-classical studies in the late 1970s concluded that Korea ended up with an import and export regime of "broad neutrality," similar to free trade in its effects on business decision-making. Whether by accident or design, the government's export subsidies counteracted almost exactly the incentives to produce for the home market created by import controls.

The more outspoken free-market economists have pushed these controversial findings further. Korea could have done even better, they argue, if only it had adopted a stricter laissez-faire model.

Up to a point, this new orthodoxy is endorsed even by the Korean government's own planners. Although they make no apologies for the pivotal role of government in the first 15 years of Korea's industrialisation, many claim that they were becoming disillusioned with government's ability to control an increasingly complex economy by the late 1970s, as the fourth five-year plan, with its emphasis on energy- and capital-intensive heavy industry, began to run aground.

Officially, economic liberalisation became the order of the day as soon as President Chun Doo-hwan seized power in 1980, against the background of rising inflation, multiplying foreign debts and Korea's first real recession for 20 years and after the assassination of the architect of Korea's corporate state, President Park Chung Hee.

Yet a profound gap remains between Korea's practical application of "economic liberalism" and the laissez-faire theories of the new orthodoxy. Whatever the neo-classical models may suggest about the irrelevance of effective protection for Korea's industries, the government is dismantling trade barriers with utmost caution. Imports of many products are still completely banned and outright prohibitions will continue in several key sectors for the foreseeable future.

The number of products which can legally be imported has been increased from 63 per cent in 1979 to 84 per cent of the international standard in industrial classification. But even by 1988, 5 per cent of product categories, including some of the most important ones—such as motor cars, staples, agricultural products

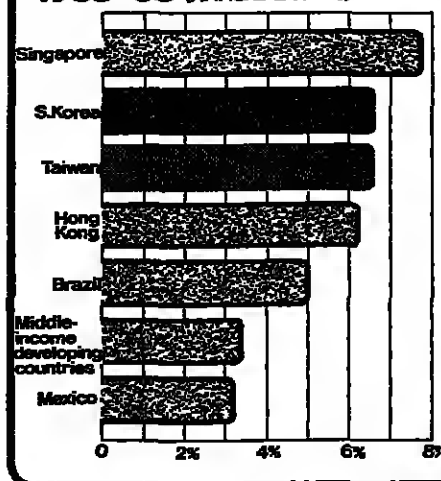
and many types of consumer goods—will face complete import bans or quantitative controls. Furthermore, those "non-essential" items which can be imported may be subjected to very high tariffs—the standard tariff rate of 20 per cent will apply only to two-thirds of imported items, even by 1988. Clearly Korea's definition of liberalisation falls well short of the full-blooded laissez-faire experiment attempted, for example, in Chile during the mid-1970s. Then all import controls were abolished and a standard tariff of 10 per cent was set for all products.

The structure of Korea's domestic economy, too, is a far cry from the strict free market model. Korean industry is extraordinarily concentrated, with a handful of conglomerates, such as Hyundai, Daewoo and Lucky-Goldstar, controlling all the commanding heights of the economy. Just nine of these conglomerates (called *chaebols* in Korean) account for more than half of Korea's exports. Within the *chaebols*, which typically make everything from stuffed toys and machine tools, to ships and video recorders, cross-subsidisation is rife between profitable divisions and costly new operations, which are sometimes allowed to run for years generating losses.

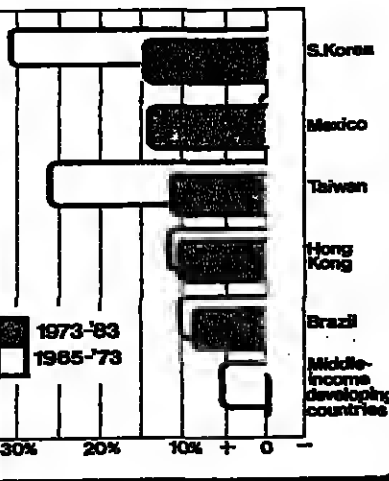
Although the government now believes this corporate gigantism is dangerous, its policies on industrial structure pay scant attention to *laissez-faire* injunctions. Detailed and onerous regulations have been imposed on the newly "liberalised" banking system to redirect funds from the *chaebols* to smaller companies. The Ministry of Trade and Industry is actively compiling a list of 1,000 smaller companies "which will be encouraged" in un-

## KOREA'S ECONOMIC 'MIRACLE'

## Growth of GNP per capita 1965-83 (ANNUAL CHANGE)



## Growth of Exports (ANNUAL CHANGE)



Graham Laver and Laigzon Morris

## A success story which defies the textbooks

By Anatole Kaletsky, recently in Seoul

market-makers who dominate development economics today, on the other hand, see Korea's success in an altogether different light. They stress Korea's export-orientation, its remarkably low ratio of government spending to national income, the competitiveness of its business environment and the lack of militant unionism among its workers.

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The newer breed of free

## Jefferson plans BT road show

Together with British Telecom's first annual report and accounts the 1.7m shareholders have received a postage-paid card to indicate whether they will turn up at the BT Road Show to tour the country for several weeks after the agm.

Those shareholders who dislike crowds—BT is preparing to handle a meeting of up to 20,000—would be well advised to stay away and vote by proxy. Another card to arrange proxy voting is also thoughtfully enclosed.

For chairman Sir George Jefferson is arranging a BT Road Show to tour the country for several weeks after the agm. Senior managers and directors will make themselves available at a series of regional meetings where they will answer questions from shareholders who could not get to the agm.

Although the meetings will not have the statutory significance of the Birmingham bunt (a cup of tea and a bun is likely to be the extent of the hospitality), BT will be able to provide for the expected 20,000 they will enable shareholders to inquire about operations and policy in a relaxed atmosphere.

Jefferson says in his statement: "While I welcome the confidence and the challenge that a large body of holders represent, we face a major task in keeping everyone in touch with the company."

The estimate of a 20,000 maximum turnout at Birmingham is based on a statistic that, on average, about 1 per cent of shareholders go to company agms. But the figure will not necessarily be reliable for BT's first agm, given the novelty of the occasion and the large number of shareholders who find themselves with equity in a company for the first time in their lives.

## Simon's innings

BP-watchers were not exactly surprised to learn that David Simon, aged 45, is to join the group of seven managing direc-

## Men and Matters

tors which runs Britain's largest company.

An effervescent career BP man with a strong marketing background, he has made a name for himself in the last two years by shaking out excess refining capacity and improving BP's downstream activities.

A Christ's Hospital scholar and a Cambridge modern linguist, Simon is an avid reader. He is just as well as his Norwegian wife half-owns a west London bookshop.

Specialising in modern fiction the shop is also well known for its moderately feminist inclinations. Simon has covered that side of things at BP by being the first senior male manager to address the company's women's group.

Among his hobbies is "watching the sun go down at Hampstead Cricket Club" and he is reading Mike Brearley's book on captaincy.

As the equal youngest in the BP executive team—alongside Bob Horton, the finance man—Simon is well positioned now for the captaincy stakes in his own organisation.

## Taste of gold

Turning chocolate into gold was a problem the old alchemists didn't have, but Williams and Glynns Bank has just done it. The story begins with the making of a forthcoming advertisement to publicise the merger of Williams and Glynns and Royal Bank of Scotland, in which two trolleys carrying 1,000 bars of bullion are shown.

This concentrated the minds of people at the bank's advertising agency, Boase Massimi Pollitt. The Bank of England seemed less than enthusiastic about releasing \$10m worth of gold to lie around in a photographic studio for a couple of weeks. Experiments were tried with gold-sprayed polystyrene.

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## Exposed! The secret cost of product assembly.

For every £1 British industry spends on nuts and bolts, it spends another £4 installing them.

The money goes in not getting things right first time; in subsidising operator inexperience; and in paying two people to stand on opposite sides of the same hole!

Product assembly is rich in opportunities for improved cost-efficiency; not by major investment, but by applying engineered assembly principles to problems that have been taken for granted for years.

"There is nothing sinister in it and it was not put there by our competitors," said the BOA man, with engaging frankness, for what can go on when City practical jokers get to work.

In the Conservative stronghold of Wandsworth councillors find themselves in the unusual position of adopting a firm stand against Mr. Thatcher's new media policy.

The London borough has decided it would rather have undisturbed roads and pavements than dig them up to wire the borough for cable television.

They are convinced there are more votes to be lost because of the state of the pavements than would be gained from a bigger choice of TV programmes.

Jon Davey, director-general of the Cable Authority, will meet borough representatives next week to try to seek a compromise.

Ultimately, however, Davey can wave a big stick at Wandsworth. Cable companies qualify as public telecommunications operators and have the same rights as British Telecom and Mercury to dig up the streets.

"Slightly unfortunate" was how the man at Bank of America described it. The large black-

"According to this, it's an hour long programme on the BBC cutbacks—in sound only"

But it didn't photograph like the real thing.

Then somebody discovered that Harrods sell boxes of praline chocolates made up to look like gold bars at £3 a box. The bank managed to get 1,000 boxes at £3 a box and the photography went ahead.

But what do you do with 1,000 gold bars of chocolate when the show is over? Well, it happens that one of Williams and Glynns's customers in central London is the Great Ormond Street children's hospital. Today Don Lewis, general manager of the new merged bank, will hand over £3,000 worth of chocolate gold to the hospital.

A happy ending beyond the dreams of the alchemists.

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## POLITICS TODAY

## The writ that doesn't run

By Malcolm Rutherford

ONE OF the problems that has always bedevilled Mrs Thatcher's administration is how to decentralise power. The Government wants powers to be devolved. Yet to get there it has first to take power into its own hands. To reverse a French phrase, it is a question of knowing how to *sauter pour mieux sauter*.

The problem is, if anything, getting worse. You can see it all over the place. Take Johnson Matthey, for example. The issue is not just whether there was fraud.

There was a failure of supervision on the part of the Bank of England. The Bank perhaps did not perhaps inform the Treasury fully enough and early enough of what was going on. A series of misunderstandings seems to have dogged the story throughout, and done so at a time when working relations between the Bank and the Treasury are possibly within the Bank itself, are not all that good. It does not make for the smooth functioning of government.

One of the results is that Mr Dennis Skinner, the Labour MP for Bolsover, previously regarded as rather a wild man, has become something of a hero. It was he who persuaded the Labour front bench that the Johnson Matthey case contained matters worth probing, and he has been doing so.

Mr Skinner comes out very well indeed as a classic Parliamentarian. The Government, for its part, seem to have an endemic tendency to play into the opposition's hands.

A similar fate to Mr Skinner's has overcome Mr K. Livingstone, the head of the Greater London Council. Mr Livingstone used to be generally regarded as either a villain or a saviour. Yet the way the Government went about the GLC's abolition has turned him into a popular figure, more sinned against than sinning. He is quite likely to be a hard-working and effective Labour Member of the next Parliament.

The Government's motives in seeking to abolish the GLC were pure enough. It wanted to devolve power to smaller units, more likely to be receptive to the needs of the local people. Where it went wrong was in not properly considering in advance how to do it. In the end it used a hindleg in the shape of the Conservative Party Whip.

It is very doubtful whether it was all worth the effort.

Something akin may be going in the teachers' dispute. Again, there is no reason to query the motives of Sir Keith Joseph, the Education Secretary. He wants the best and most meritorious education system for the country that can be found and paid for, while also, in the spirit of the social market economy, providing a safety net for those less able to compete. He would like teaching to be a skilled profession, embracing high standards.

Yet it has not quite come out like that. Indeed it almost looks — this is a slight caricature — as if the Government has taken to the teachers in the same way as it took on the miners, although without the same justification. There is a deadlock, and few of the Government's good ideas come through to the public, perhaps not even to the teachers themselves, as Sir Keith was admitting in the House of Commons this week.

Mrs Thatcher, we learned from her interview on Channel 4 on Wednesday, is in favour of the restoration of direct grant schools. It seems a bit late to say that now. To the outside world, it looks simply as if the Government's education policy is unclear and ill thought-out. Any old improvisation or compromise will have to do to settle the dispute.

Taking all those points together, the conclusion is that there is a widening gap between the Government's — perhaps any British government's — good ideas and their implementation. Somehow the message from the top does not reach all the way down the line. One of the failings is the language in which the message is expressed.

The rest of this article is about two concrete examples: this week's White Paper on deregulation and the development of London's Docklands. The two subjects have something in common in that both concern how the Government's ideas are translated into action.

The White Paper, however well-intentioned, is a bundle of clichés from the title, *Lifting Shores*, onwards. It is also bogged down in unexplained minutiae. It is very hard, for instance, to expect the public imagination to rise to paragraph 5.30 which runs: "Further



Development in London's Docklands: symptom of the Government's difficulty in explaining its ideas

ahead, the Ministry (of Agriculture) is now in discussion with the soft drinks industry about introducing a major simplification of the existing complex regulations."

On the face of it, that statement gives at least as much cause for alarm as it does for comfort. It is utterly unclear what it is about.

Paragraph 5.31 is not much better, though it ought to be. "The Government," it reads, "will seek an early opportunity to introduce legislation to abolish statutory restrictions on shop opening hours. There are already no such restrictions on Sunday trading in Scotland, except in relation to hairdressing."

Apart from the fact that the reader might wonder why hairdressing is an exception, there is an attempt to explain why Sunday trading might be beneficial and pleasant for the public. It is the language of a tired civil servant.

Here it is again in Paragraph 7.6: "The Government propose to discuss with local authorities the setting up of 'One-Stop-Shops' within authorities. These are essentially single inquiry points providing information on local regulatory requirements and quick referral to the relevant department of the local

authority. Such units could also be valuable in representing the interests of firms dealing with other, regulatory departments within the local authority."

Yet this was supposed to be a White Paper about deregulation and simplification. What are all these "other, regulatory departments" allowed to remain within the local authority? Not for the first time, one has the impression that this government, or perhaps its ministers, is incapable of seeing the wood for the trees.

"The Government," we are told, "also intend to improve the training given to enforcement officers." What sort of training and who are these enforcement officers? A suspicious mind might think that the Government is merely seeking to replace one form of bureaucracy with another, and if the top of the government cannot get its own house in order, it is hard to see how it can do so elsewhere.

The White Paper excels itself towards the end. To implement the proposals, it says, there must be a "small task force in central Government with real teeth." One had thought that that sort of language about small task forces at the heart of the Government machine and real teeth went out with Harold

Wilson. They rarely worked before, turned out to have teeth made out of teflon, and it is not self-evident from the White Paper that a new one will work now.

London's Docklands area, by contrast, is both a challenge and a puzzle. Anyone remotely interested in planning, economic development and the environment should try to go and see it. For a start, some of the views from the waterfront are stunningly attractive. A new world is growing up in place of the old decaying warehouses. It is the area where the best of the original policies of Mrs Thatcher, and Sir Geoffrey Howe, when he was Chancellor of the Exchequer, were allowed to take root.

Most people have mixed feelings about it, even when impressed. Mr John Redwood, the retiring head of the Prime Minister's Policy Unit, thinks that it is one of the most effective things the Government has done: it should be left alone to go on developing privately under the aegis of the London Docklands Development Corporation.

Mr David Lea of the TUC says that he is completely torn by the Docklands whenever he goes there. One half of him tells him that it is the future of Britain, exactly the sort of

development that the Labour Party and the unions ought to be encouraging. The other half says that he ought to be appalled by the free rein given to private enterprise and the absence of planning.

Mr Peter Shore, the former Labour Environment Secretary who has his Parliamentary constituency there, admits that it is taking off in a big way, though he adds that it will benefit the affluent, not the local people.

Certainly all the most recent announcements support the view that it is going to be a success: a new short take-off airport, for instance, and a new modern rail network. Under the conditions of the Enterprise Zone, which relaxes planning restrictions, factories as well as offices are going up in abundance, and it may well be that it is the wave of the future: people want in abundance commuting and returning to the inner city wherever it is hospitable.

A few questions remain, however, when you go there and try to probe beneath the surface. One is that the Docklands Development Corporation does seem to have quite enormous power, without being responsible to anyone except nominally the Department of Environment. Some of the private individuals who initiated the development before the Enterprise Zone was set up are now having problems in getting planning permission.

There are also numerous complaints, some of them made by our architecture correspondent Colin Amery, about the aesthetics of it all. It is not as beautiful as the site allows it to be, and things could be getting worse. Not least, there has been little development of the local schools, which puts a limit on the sort of people who will go and live there.

The real question is how far there should be planning controls and how far total licence. The Government has a potential success on its hands in the Docklands, though it could go too far, and Ministers have been curiously reluctant to host about it. But somewhere between the Government's good ideas and a completely free market approach, there is going to have to be some regulatory authority, if only to prevent the building of monstrosities. No British government has yet found a satisfactory answer.

## Lombard

## The City counts its chickens

By Richard Lambert

SO YOU paid 14 times a record year's earnings for a firm of City stockbrokers, did you? Don't worry. Your best and brightest traders are straining on their golden handcuffs, are they, threatening to make a nonsense of all that goodwill? Never mind. Whatever happens to profit margins, the one sure thing about the City revolution is that the volume of business on the London Stock Exchange is set to rise dramatically once commissions become negotiable. After all, look what happened in America.

That is the thought which is helping to send a good number of investment bankers off to sleep at night at the moment, and it is not just a matter of wishful thinking. Since fixed commissions were abandoned on Wall Street 10 years ago, commission rates on institutional trades have fallen by roughly 40 per cent, and the volume of share trading has risen fivefold. Until a setback in 1984, the fall in margins had been far offset by the rise in the level of business.

The trouble is, though, that the lower cost of dealing in shares may not have been the only reason for the enormous increase in activity. Other factors have also played a part — some of which have already had an impact on London.

## Volatile

For instance, financial markets everywhere have become much more volatile, and fund managers—even of long term assets—have become increasingly concerned with short term performance. As a result, they have adopted the strategy of taking small profits more or less whenever they present themselves, rather than taking the chance of building up bigger gains by staying with their successes. These days, a buy-and-hold policy would be considered distinctly passé.

Financial volatility has also led to the development of new markets for trading in risks—most spectacularly in Chicago—and these in turn have tended to boost turnover in the securities which underlie the options or futures contracts. On some

occasions lately, the Chicago tail seems to have been whirling the New York dog around like a windmill.

Technological developments have played a big part in the growth of U.S. trading volume. The New York Stock Exchange used almost to grind to a halt in the late 1960s, if volume approached 20 million shares a day. Now it can handle far in excess of 200 million shares a day without showing any sign of strain. This has been made possible by enormous investments both in the market's infrastructure and in the brokers' own back offices—an eerie, incidentally, where many London firms still look decidedly primitive.

## Rally

Most important of all, perhaps, price deregulation on Wall Street came at a time when share prices were beginning a sustained rally away from the 12-year low point touched in 1974. The years of the really big volume gains, like 1980, 1982 and 1983, coincided with periods when share prices were shooting ahead. Dual years for share prices, like 1977 or 1984, were also dull years for business growth.

Volume in London has yet to benefit from price competition. But the level of business has already been rising fast, especially when prices have been in a bull phase. The annualised value of equity turnover in the first quarter of this year was well over three times the level in 1981, and although the increase was inflated by the sharp rise in prices, there was still room for large volume gains. The value of business on the fixed interest side has climbed from £76.5bn in 1975 to £229bn in 1984.

Provided they can get themselves into a position where they can actually handle a greatly increased level of business in London, a prolonged bull market will make geniuses of those investment bankers who are now tossing and turning in bed at night. But on the whole, they may be better advised to count sheep rather than unhatched chickens.

## Business school prospects

From the Principal, London Business School.

Sir—Your article on the future of British business schools (July 13) somewhat oversimplifies a complex situation. At London Business School, 62 per cent of our recurrent income already comes from non-public sources, and it is the remaining 38 per cent that is at risk from the Griffiths proposals. The elimination of the latter would fall entirely on the Masters (MBA) programme whose graduates, now numbering about 170 a year at London, are in heavy demand and command excellent salaries for their experience and qualifications.

The bulk of the students put themselves through the MBA and the removal of any public funding would effectively quadruple the fees they currently pay. Without changes to taxation principles, and the enhanced availability of special subsidised loan schemes, which exist in other countries and have apparently been rejected only recently by the British Cabinet, the flow of able UK applicants will diminish. The irony is that while the schools would survive by rejigging the range and marketing of programme offerings, they would inevitably end up with a considerably higher proportion of overseas students from competitor countries. This is indeed the case with the privatised European Business School quoted in the article.

Is this change what Britain really wants? We are already short of highly educated and motivated young managers in this country. To diminish the supply even further, by positive discrimination against management as a serious subject of study, seems short-sighted at a time when we are falling behind in the international race to translate science and technology

## Letters to the Editor

into marketable products and services. It was, ironically, only last week that Mr Tom King, the Employment Secretary, generated the headline "Britain's choice: train or drain". (Dr) Peter G. Moore, Sussex Place, Regent's Park, NW1.

## Requirements for accounting

From Mr R. Croudson.

Sir, If the authorities of Government and the professional bodies consider who wants and who needs the financial statements of small limited companies they should arrive at the conclusion that it is (a) the directors and shareholders (usually almost the same persons) and (b) the Inland Revenue.

Interest of the former in registered accounts is usually idle curiosity and the latter have their own improved methods of obtaining the more detailed information they require. Unfortunately compliance requirements with the professional Statements of Standard Accounting Practice and the Companies Act 1981 have made the financial statements of small companies less readily understandable to the directors/shareholders who these days already develop their own forms of accounting information with or without the professional accountants' assistance and who rely upon annual audited state-

ments for confirmation only of their own figures.

This leaves the Inland Revenue's interest about which insufficient seems to have been mentioned. I suspect that if audit requirements are removed for small companies the revenue's enquiries and interest in submitted financial statements will understandably increase and any savings to the company upon removal of audit needs will be replaced by increased fees in satisfying the Revenue's requirements.

If the burdens on businesses are to be reduced and if the profession is to have the supposed opportunity to provide more useful services (a) SSAPs and Companies Act requirements on presentation should be removed for small companies as defined in the new proposals (ie turnover £2m, balance sheet totals £975,000 and employees 50), and (b) audit requirements for all companies should be retained but if necessary there should be created two kinds of audit, one less demanding for "small companies" and another for larger ones.

R. Croudson, Victor Walton Croudson, 26, Park Road, Leeds LS1 5QB.

## Gifts and capital gains tax

From Mr K. Tunstall.

Sir,—May I add to Mr Wallace's observation (July 13) that

most sales of gifts within 12 months of purchase are at a loss, presently allowable against capital gains tax? I would presume such sales are made shortly before the ex-dividend date and hence include a large element of accrued interest. As such, true capital losses (stripped of accrued interest) are even greater and strengthen Mr Wallace's suggestion for an extension of CGT on gifts rather than abolition.

Following the proposed separation of income from capital, I would advocate symmetry of treatment between seller and buyer so that accrued interest taxable to a seller of stock would be tax deductible to a buyer. At present, a buyer of stock with accrued interest is taxable on the next full six months' interest even though he has bought rather than earned part of that interest.

Keith Tunstall, 30, Grove Street, Leamington Spa, Warwick.

## Fair value for money

From Mr D. Pearson.

Sir,—The Law Society's Council's reaction to the consultants' report is predictable and some of his arguments are unconvincing as the example of the medical profession. It is interesting and possibly significant that in the BBC's preparations for their new series *Watchdog* when viewers were asked to write in with case studies, solicitors figured repeatedly among the complaints.

After more than 45 years in accountancy practice and having done business with many firms of solicitors both in this country and in the United Kingdom my view is that by and large the public is well served and generally gets fair value for money from the solicitors' profession.

Nevertheless, there are cases, which call for speedy and fair examination and decision and the existing system needs revision. The greatest cause for complaint is inordinate delay in dealing with cases.

At present the Professional Purposes Committee refuses to deal with complaints by persons who are not clients of the solicitor concerned, e.g. residuary legatees of estates for whom the solicitor is the executor.

This is unsatisfactory, as is the present arrangement where on receiving a complaint this committee decides whether a prima facie case exists. Another difficulty is the cost of court proceedings preventing cases being taken for negligence.

Derek Pearson, Glenveagh, 2 Myrtle Park, Dun Laoghaire, Co Dublin.



## A measure of excellence

Fans at the Mexico City Olympics gasped when Bob Beamon long-jumped 29' 2 1/2" — 8.90 m — surpassing the existing world record by an incredible 27 inches. Today, 17 years later, that jump remains a measure of excellence in athletics.

Seeking to better Beamon's mark this summer will be history's second longest jumper, Carl Lewis. In fact, Lewis will be vying for records and points in this summer's IAAF Mobil Grand Prix. A season of 16 international meets, the Grand Prix is sponsored by Mobil and organised by the International Amateur Athletic Federation.

Forthcoming Grand Prix competitions include the Bislett Games in Oslo on 27 July, the IAC Meeting in London on 2 August, and the Budapest Grand Prix in Budapest on 4 August.

Grand Prix points are awarded to athletes on the basis of their performances and times. World records gain extra points. At the conclusion of the season, Grand Prix awards will be made to the outstanding male and female athletes and to the outstanding performers in each event.

Mobil supports the Grand Prix because it believes in rewarding consistent achievement at the highest levels. After all, it's the truest measure of excellence.

## Steady decline in unemployment seen

From Mr J. W. Brazier.

Sir,—the dip in the trend in seasonally adjusted employment, coupled with the signs of a downturn in investment by industry appear to have occurred precisely on cue. There are good reasons for expecting the reduction in both to continue.

In June 1982 your correspondent Samuel Brittan reviewed my paper *Priced out of the Market*, which noted that almost every European country (unlike the U.S.) had fallen into the trap of subsidising investment. This stemmed from the mistaken belief that, since prosperous countries had high levels of investment, tax incentives for (otherwise uneconomic) investment would bring prosperity.

... much of this investment was labour saving.

At the same time, as has so often been remarked, virtually every labour-related cost from national insurance to health and safety legislation had risen in the decade to 1982.

Interestingly, Mr Lawson is the first recent Chancellor of any party, to appreciate the balance between the cost of labour and capital but his first budget had a curious quirk in the timing of its impact on both joblessness and investment.

By the end of 1983-84, the rate of rise in unemployment had slowed almost to a standstill, owing to the cyclical factor of the sharp recovery. Then came the sensible decision in the March 1984 budget to end 100 per cent allowances which, had it been introduced then, should have led fairly quickly to a faster downturn in unemployment and

a fall in "uneconomic" investment.

Instead the "step by step" approach produced the opposite effect for a single year, and we saw a return to growth in the jobless figures coupled with a surge in investment, as industry struggled to capture the 75 per cent allowance, available for the last time.

Now that April 5 and that "special offer" are behind us (including no doubt some labour-saving investment brought forward) and cuts have been made in national insurance payments on the low-paid, it seems that the path is well set for a steady decline in unemployment and a better balance in investment.

Yesterday's swallow may well have heralded a summer. Julian Brazier, H. B. Maynard & Company Ltd, 22 Conduit Street W1.



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# FINANCIAL TIMES

Friday July 19 1985

**BELL'S**  
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**BELL'S**

## Olympia & York abandons deal with Chevron

By Bernard Simon in Toronto

OLYMPIA & YORK, the Toronto-based property developer, has decided at the last minute not to proceed with its \$2.24bn takeover of the 60 per cent stake in Gulf Canada owned by Chevron, the debt-burdened U.S. oil group.

Chevron now plans to look for other ways of disposing of its Canadian oil interests.

Olympia & York, a private company controlled by the Reichmann family, gave no reason for its withdrawal from the deal, first announced on May 23. It asked for three extensions of the withdrawal deadline while it negotiated further on various aspects of the transaction, including the possible sale of parts of Gulf Canada to the state-owned oil group Petro-Canada.

The company has forfeited a \$225m deposit to Chevron. A Canadian government source said yesterday that political considerations had played a part in the failure of the deal, but declined to elaborate.

Earlier this week, the Cabinet authorised Petro-Canada to spend up to \$1.5bn to buy Gulf Canada assets, including its marketing and refining business. Another Canadian group, Norco Energy Resources, was also reported to be showing an interest in buying some of Gulf's business.

Gulf's assets totalled \$5.5bn at the end of 1984 and revenues reached \$3.4bn last year, the fourth highest among integrated oil companies in Canada.

Miss Pat Carney, the Energy Minister, yesterday described Olympia & York's withdrawal as "a setback to the Government's goal of Canadianisation of the oil and gas industry."

A Chevron official said the company now planned to pursue several alternatives. It still expects to realise a substantial sum of cash from the reorganisation or disposal of its Canadian interests.

Chevron to sell downstream operations, Page 20

## Bank licence for Kleinwort refused

Continued from Page 1

are not banks. The Bank has also told the Japanese Ministry of Finance that it will not horse-trade licences for UK banks in Tokyo.

A senior Ministry of Finance official said yesterday that the ministry had been put in "a rather difficult position," given that Nomura Securities and the other securities houses had first put their applications for banking licences in five years ago.

Noting that U.S. securities houses such as Merrill Lynch and Goldman Sachs had been granted UK banking authorisation, he implied a clear case of discrimination against the Japanese.

He claimed that Japan had lived up to the commitment it made at the first UK-Japan meeting last October to seek "a constructive solution" to the bilateral problem.

In January, Japan granted licences to S.G. Warburg, the merchant bank, and W.I. Carr, the Exco subsidiary. Last week, de Zoete & Bevan, the stockbroking firm, also received permission to open a representative office.

Observers believe that the Japanese stance has been complicated by the involvement of the Ministry of Finance, which took over negotiations from the securities houses last year in the expectation that a breakthrough could be made at official level.

The Bank of England says it does not intend to give in to the latest pressure from the Japanese because the provisions of the Banking Act cannot be waived out of political expediency.

## Blacks organise boycott of South African shops

By Anthony Robinson in Johannesburg

BLACK consumers yesterday boycotted stores owned by whites, coloureds and Indians in the Pietermaritzburg area of Natal and throughout the Eastern Cape. The boycott was organised by black activists to draw attention to black grievances. Unconnected strikes also hit the Ford, General Motors and Volkswagen plants in the Port Elizabeth area.

The one-day Pietermaritzburg action was linked to a work stayaway organised by black unions in support of 950 workers sacked three months ago by BTR Sarmol, a subsidiary of the British multinational BTR, and replaced by non-union labour.

Many shops were reported to have closed in the almost deserted town centre yesterday, with no buses running, while the local chamber of industry said that on average 60 per cent of workers stayed at home.

Police in armoured cars broke up demonstrations in the surrounding black townships, but the BTR Sarmol factory in nearby Howick

reported that 90 per cent of its recently recruited, and mainly Indian or coloured, workforce turned up for work.

The boycott in Port Elizabeth, Uitenhage and other towns in the Eastern Cape, where continuing violence has caused nearly 200 deaths this year, was more overtly political and is planned to last up to two months.

Boycott organisers, linked to the United Democratic Front and black civic associations, said the boycott was in protest against the disappearance of three Port Elizabeth black civic associations leaders two months ago and the murder of four UDF activists, including Mr. Mathew Goniwe, whose funeral took place in Cradock on Saturday. They also demand the withdrawal of police and army units from the townships.

The organisers yesterday searched blacks as they got off buses in the townships and destroyed food, clothing and other goods carried in by black shoppers.

The boycott was accompanied by unconnected strikes at the Ford and VW motor factories and General Motors locomotive plant in the Port Elizabeth area.

The strikes at Ford and Volkswagen were motivated by disputes over back pay and pensions, while the General Motors dispute was over the alleged abusive language used by a white foreman against black workers.

Volkswagen, which was closed for three days last week in a dispute over its proposed loan of buses for the now cancelled New Zealand rugby tour, issued a warning to its workforce to return to normal working or face dismissal.

In Johannesburg, the black National Union of Miners (NUM) said that final results of its strike ballot were 65,216 votes in favour of a strike and 1,863 against. The union plans to take action at the 28 mines where it is recognised following the special congress next week which will decide the form which the strike will take.

Appeal to Thatcher: Strike at Siemens plant, Page 3

## Chloride agrees £34.5m sale of some overseas businesses

By Kenneth Gooding in London

CHLORIDE, the financially troubled UK battery group, has agreed to sell a substantial part of its business outside Britain for £34.5m (\$49.8m) cash.

The buyer, Dunlop Olympic, an Australian group, will also take on the debts of the Chloride subsidiaries to be acquired, totalling £18m.

If the deal goes ahead, Chloride immediately will save £4m to £5m a year in interest payments and its gearing, never under 60 per cent for several years, will drop to 30 per cent.

Sir Michael Edwards, Chloride's chairman, last night said the deal would have a beneficial impact on Chloride's balance sheet and "will provide a secure base from which the group can grow profitably."

The price is above the net asset

value of the subsidiaries to be sold and will substantially reduce Chloride's borrowings, which in March totalled £87.9m net.

Sir Michael intended to give news of the proposals at the annual meeting on July 26, but the Chloride share price has moved up in the past few days, so the announcement was brought forward. Last night the ordinary shares closed at 39p, up 4p, after touching 42p at one stage.

Dunlop Olympic, which has no connection with the UK Dunlop company, is to acquire the battery manufacturing and marketing activities of Chloride in the U.S., Canada, Mexico, Australia and New Zealand through the acquisition of Chloride's subsidiaries in those countries.

Chloride intends to retain the North American power supply and standby battery business of Chloride Inc - the profitable part of its operations in that region.

The agreement requires approval of Chloride shareholders as well as the appropriate regulatory authorities. Dunlop Olympic is a major competitor in the battery manufacturing business in Australia, so the proposals will have to be given approval by that country's Monopolies Commission.

Chloride and Dunlop Olympic will also sign technical agreements giving Dunlop access to the UK group's technology on recombination, submarine and torpedo batteries.

See Lex

## Arabs lift boycott of Ford

FORD AND BAYER are among nine companies removed from the Arab Boycott of Israel Office's trade embargo at its biannual meeting in Damascus which ended yesterday.

The Arab embargo on trade with Ford was imposed in the 1960s as a result of the company's investment in a manufacturing plant in Israel.

The embargo against it was the main reason why a prospective joint venture in the U.S. with Toyota was called off two years ago by

the Japanese company. At the same time Mazda, in which Ford has a 25 per cent stake, has been careful to distance itself from its American shareholder in order to preserve its profitable Arab markets.

It was not immediately clear last night what, if any, concession Ford had made to obtain its removal from the blacklist.

Also removed from the boycott were Colgate Palmolive of the U.S.; Imetal of France; Cheverton Ltd., RGB Stainless and Royal Food

Products of the UK; All India Medical Corporation and Pacific Manufacturing Company of New Zealand.

Among the concerns whose status was "terminated," meaning they can resume operations in six months, were two other British companies: Allied Foods and LRC International.

The ban on two individuals, the actor Omar Sharif and Lebanese singer Janet Farah ("Sabah") was also lifted.

## Signal for European rate cuts

Continued from Page 1

will rediscount for banks at its discount rate.

Although this increase could be seen as a further slight easing in monetary conditions, officials indicated that the decision arose from a routine reassessment of the quota. It was last increased a year ago by DM 8bn.

Herr Karl Otto Pöhl, the Bundesbank president, and other central bank officials have indicated for some time that they see scope for lower rates in West German money markets.

Dr Helmut Schlesinger, the Bundesbank vice-president, said in a speech earlier this week: "Interest rates have already declined and at present are falling further."

A number of factors are regarded as helping a move towards some lowering of interest rates in West Germany.

For a start, the decline in the dollar should help to alleviate concern about the effect of import costs on

inflation, which in any case is running at an annual rate of only 2.3 per cent.

The growth in the money supply is well within target. It has been increasing lately at an annual rate of 4 per cent, exactly in the middle of the Bundesbank's 3 to 5 per cent target range for money supply growth this year.

In France, by contrast, the growth in money supply has been overshooting the Government's 4 to 6 per cent range. The authorities' desire to see commercial banks' base lending rates move down from their present 11 1/4 per cent level thus runs counter to their objective of curbing this growth.

The Bundesbank's move towards lower rates is also encouraged meanwhile by its belief that economic trends may make the U.S. less of a magnet for capital flows, while West Germany may be among countries to appear more attractive.

As an ultra-cautious body, however, the Bundesbank is also anxious to keep a tight rein on inflation. It regards West Germany's success in keeping down inflation as a product of its own tight monetary policies in the past plus the Bonn Government's efforts to rein in budget spending.

It is reluctant to put these achievements at risk by going along too readily with calls for measures to keep up economic expansion in West Germany.

For this reason, Bundesbank officials are likely to give more support to Mr Paul Volcker, the Fed chairman, in his calls for action on the U.S. budget deficit than in his latest plea for other industrialised countries to foster more economic expansion.

The Bundesbank is confident that West Germany is already on a path of moderate expansion which is assured until at least well into next year.

## Thatcher pledges further radical changes

By Peter Riddell in London

THE BRITISH Government must continue to be radical, Mrs Margaret Thatcher, the Prime Minister, told Conservative MPs last night as she promised a series of further major legislative changes.

In her traditional end-of-term speech to the 1922 Committee of backbench Conservative MPs, Mrs Thatcher said that Britons had to know the Government was still in business and was continuing to give a lead.

Her speech followed the latest national opinion poll which showed that the Conservatives had slipped to third place with only 27.5 per cent against a second place with 34.5 per cent last month.

The Gallup survey published yesterday was the first since the Brecon and Radnor byelection on July 4. The Liberal/Social Democratic Alliance won the Welsh seat from the Conservatives, who fell to third behind Labour. Yesterday's poll showed Labour with 38 per cent and the Alliance with 32.5 per cent.

Mrs Thatcher told her party's MPs last night that there had to be more trade union reform, a further "bonfire" of controls, more sales of public assets and new reform of local government and property taxes. Not all these issues would be tackled in the next parliamentary session.

Mrs Thatcher also stressed the importance of further cuts in income tax, of implementing the proposed changes in the social security system, and of reforming wages councils, and of legislating on public order, including football hooliganism.

There was no hint during her speech of any softening of her rhetoric or shift in the Government's economic approach. Instead she strongly defended the achievements since 1979, painted an optimistic economic picture and urged strong attacks on the opposition parties.

Mrs Thatcher said that what had been regarded as desirable but impossible in the 1970s, had since been achieved and was now part of Britain's political landscape and a new conventional wisdom. She cited trade union reform, the reduction in inflation, denationalisation, the reverse of the decline in individual share ownership and the increase in home ownership.

The economy, she said, was now much stronger than a year ago and stronger than at any time since 1979. She described the current pound-dollar exchange rate as much better than last year.

Inflation, she said, was still too high, but there was every prospect of a fall in the autumn. Unemployment remained stubbornly high, but there were signs of hope with reasonably promising June figures.

She repeated the need to keep public spending under control and said that it was possible to have priorities within that total, referring to defence, and the health service.

In particular, she described the suggested fixed link across the Channel as a very exciting project which would be financed entirely by the private sector. She hoped it could be brought to fruition.

## France fails to keep control of Eureka project

Continued from Page 1

slice of Eureka funding must come from government budgets.

Together with the latent discord over France's desire to keep a strong hold over Eureka, differences have also emerged between the larger and smaller countries over the risks of an unduly bureaucratic scheme.

The working group preparing for the Bonn meeting will probably group all 17 countries plus the EEC Commission - an arrangement that some officials already describe as unwieldy.

"If we wanted to do it properly, we would not have all 18 participants," said one official who attended Wednesday's session. "But politically, it will not be possible to have less than that."

Switzerland, one of the five non-EEC nations in Eureka, has been leading pressure from smaller countries for full participation in decision-making.

There are also divergences over the role of the EEC Commission, Mr Jacques Delors, the Commission president, who attended Wednesday's session, has been making clear his views that the EEC's own plans for high-technology collaboration should not be completely swallowed by the French-inspired initiative.

## THE LEX COLUMN

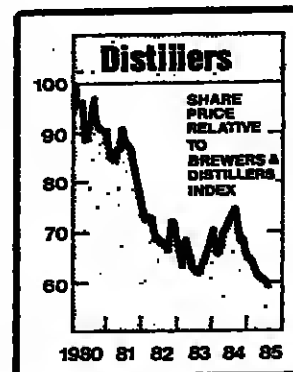
## The sound of one hand clapping

The Takeover Panel's statement on the tangled affair of United Newspapers and Fleet Holdings is one of the most opaque documents ever produced by that distinguished institution. The panel has spent three months investigating the question of whether United and Montagu Investment Management were acting in concert before United's announcement that it intended to bid for Fleet.

United and MIM had between them acquired for cash a stake of over 15 per cent in Fleet, a holding which would require any full offer to contain a cash alternative. On its own, however, United owned only 14.97 per cent and argued that it was acting independently of MIM. Since the two organisations share the same chairman, dealt through the same broker and were connected with a common nominee account, the circumstantial evidence would suggest that at the very least each knew what the other was doing.

The panel has concluded that there was no concert party, even though in an analogous case relating to Warburg Investment Management and Trusthouse Forte it came to the opposite conclusion. That is odd enough in itself. But the statement goes on to say that United has agreed that it and MIM should be regarded for the purposes of the Code as if they were acting in concert. In practical terms, this means that United will include a cash alternative in any offer that it makes for Fleet before September 4. Since there is not much prospect of United making a bid before that date, United's undertaking is virtually irrelevant in any case. The conclusion, it seems, is that Mr David Stevens - the chairman of the two companies - was not in concert with himself but agrees that he should be regarded as if he were.

To break out of this range, Distillers will need either a recovery in whisky drinking in all its markets or an explosive fashion for the liquid - neither of which seems likely. The fact that Distillers has not been distributing all its whisky turned to cash - or some £70m at the balance sheet, including unpaid duty - suggests it feels the same and would buy something if it could



on Wednesday. It has a clear commercial interest and was supporting the Burton price during an underwriting. Now there is no rule to stop it. Habitat is nursing a paper loss of £80,000 but poetic justice is scarcely enough.

### Distillers

If whisky were oil, then the Distillers Company would be the first candidate for treatment as a royalty trust. In a market no less unpromising than that for oil, Distillers could merely mine its stocks of whisky and return shareholders their cash without troubling to add to reserves or make investments. After all, Distillers' shareholders have long ceased to rate the company on earnings that have been both solid and erratic, but have insisted on a high yield at diminishing cover.

Some loyalists still trouble themselves to wonder whether Distillers will reap enough from rationalisation this year to cover last year's \$22m gain from invoicing spirits in valuable dollars. Distillers' management gains credit for turning its glass bottle operation into profit and from the success of Tanqueray gin in the U.S. But it does not really make much difference whether Distillers this year makes more or less than last year's £277m before tax. At 281p, the shares are trading only a little above their 1979 peak.

To break out of this range, Distillers will need either a recovery in whisky drinking in all its markets or an explosive fashion for the liquid - neither of which seems likely. The fact that Distillers has not been distributing all its whisky turned to cash - or some £70m at the balance sheet, including unpaid duty - suggests it feels the same and would buy something if it could

overcome its caution. With a value of £1bn or so, Distillers is out of the reach of any T. Boone Guiness, but a few years' depletion could change that.

### Chloride

Chloride may just have pulled off a deal which can re-establish it as a serious equity investment. At one shot, it has got rid of a quarter of its net assets that earned no operating return last year (but incurred some financing costs) and reduced net debt by some £52m, which is roughly four times as much as its pre-tax profit for the last five years put together. The sale is all the sweeter because the assets being divested - battery manufacturing and marketing companies in several overseas markets, including the U.S. - are to fetch a book profit, which will boost Chloride's depleted equity.

That means that net debt should come down to about 30 per cent of shareholders' funds and minorities. More important, the immediate interest saving of around £5m should come straight through to the bottom line in the U.K. on last year's miserable results, that would be enough to produce a fivefold improvement in attributable profits. In the longer term, the reconstruction of Chloride's finances will provide the freedom to remodel its remaining businesses. For the present, it looks as if the preference dividend will make a welcome reappearance; yesterday the preference shares rose 24p to 175p.

### Banking licences

The wrangle between the Bank of England and Japan's Ministry of Finance is developing along the lines of those tit-for-tat diplomatic disputes in which military attaches fly home at short notice. Yesterday, the MOF made it known that it was refusing a branch banking licence to Kleinwort Benson in retaliation for the Bank's refusal to furnish Japanese securities houses with comparable rights in London. Whatever the rights and wrongs of the arguments it would be very unfortunate if the dispute spread to affect other institutions. British securities firms are known to be at the top of the queue for membership of the Tokyo Stock Exchange, while the Japanese houses will doubtless be seeking membership of the new London exchange. To block those applications would be in no-one's interest.

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Amman	31	SE	Madrid	27	SE
Ankara	28	SE	Marseille	27	SE
Bahia	32	SE	Mezhar	27	SE
Bahra	30	SE	Monaco	27	SE
Bombay	30	SE	Nice	27	SE
Buenos Aires	28	SE	Paris	27	SE
Calcutta	32	SE	Perth	27	SE
Cairo	30	SE	Rangoon	27	SE
Canton	28	SE	San Francisco	27	SE
Cebu	30	SE	Seattle	27	SE
Colon	30	SE	Shanghai	27	SE
Dacca	30	SE	Singapore	27	SE
Dahomey	30	SE	Sourabaya	27	SE
Dar es Salaam	30	SE	Taipei	27	SE
Delhi	30	SE	Tokyo	27	SE
Dhaka	30	SE	Yokohama	27	SE

## U.S. growth at 1.7%

Continued from Page 1

tion in the U.S. from a declining dollar have been overstated," he added.

Mr Baldrige's expectations of a more satisfactory growth rate in the second half have been echoed by the Federal Reserve Board which also sees real GNP expanding at a 4 per cent annual rate in the latter part of the year.

Mr Volcker pointed out yesterday that demand in the economy rose by 8 per cent in the second quarter, after increasing by 5 per cent in the first.

A major problem continues to be the fact that a substantial part of

this demand is leaking abroad as Americans purchase more and more imports to meet their needs. Worryingly, U.S. exports too appear to be trending down.

The Commerce Department's GNP report, which showed that the implicit price deflator rose by 2.8 per cent in the second quarter after climbing 5.4 per cent in the first quarter, highlighted the current good inflationary performance in the U.S.

But whatever comfort the financial markets took from that was overshadowed by the pessimism surrounding the budget talks.





# SECTION II - COMPANIES AND MARKETS

## FINANCIAL TIMES

Friday July 19 1985



### Chrysler boosts market share as sales climb

BY PAUL TAYLOR IN NEW YORK

CHRYSLER, the third biggest U.S. motor group, said yesterday that pre-tax operating earnings rose by 5 per cent in the second quarter and by 4.5 per cent in the first half, buoyed by higher car sales and a bigger market share.

Chrysler is the first of the big three Detroit car makers to report and its quarterly profits have been eagerly awaited on Wall Street as a key indicator of the state of the industry.

Mr Lee Iacocca, Chrysler's chairman, also announced yesterday that the group had increased its five-year spending plan to \$11.5bn from \$10.5bn. "We think that is what we have to spend to stay competitive, keep Chrysler strong and protect the jobs of our employees," he said. The other major U.S. car makers have also recently announced big increases in their

spending plans and like Chrysler, which is acquiring Gulfstream Aerospace and E.P. Hutton Credit, have been diversifying through acquisition.

Chrysler's six-month vehicle sales advanced by 8.8 per cent and its share of the north American car and truck market rose to 12.7 per cent from 11.5 per cent. Pre-tax operating earnings were a record \$352m, compared with \$303.8m in the year-ago period.

The group said net earnings fell to \$566.4m or \$5.02 a share compared with \$502.9m or \$5.48 in the corresponding period, when results were bolstered by a \$351.6m extraordinary gain from now-used-up tax benefits. Sales grew by 13.86 per cent to \$5.98bn from \$5.25bn. The second-quarter results lifted first-half pre-tax operating earnings to \$1.58bn compared with

\$1.51bn for the 1984 period and net earnings to \$1.1bn or \$9.19 a share. Sales were up 11.9 per cent to \$11.38bn.

In the 1984 first half a \$689m extraordinary tax gain produced final net earnings of \$1.51bn or \$2.12 a share on sales of \$10.17bn.

General Motors and Ford, the other two big U.S. car makers, are expected to show year-on-year earnings declines when their results are released, reflecting higher tax rates, increased model launch expenses and extended financing incentives.

Like its competitors, Chrysler is reportedly raising its 1986 model car prices only modestly - perhaps by around 3 per cent - reflecting fierce competition, increased pressure from Japanese imports and the general slowdown in the U.S. economy.

### Apple falls \$17m in red for first loss

By Our New York Staff

A FALL of 11 per cent in third-quarter sales, combined with a \$402.4m provision, has sent Apple Computer tumbling into its first quarterly loss as a public company.

The net deficit for the three months to June 23 was slightly above analysts' predictions at \$17.2m, or 28 cents a share, compared with a profit of \$18.3m, or 30 cents a year ago.

Like most of its competitors, the previously high-flying Californian pioneer of the personal computer business has been hit by the slowdown in demand. Net sales were down at \$375m from \$422m previously.

The provision has been made for plant and equipment write-downs and other reorganization costs, including the recently announced closure of two of its three U.S. factories and the axing of 1,200 jobs, cutting the workforce to 4,600.

Despite the loss, nine-month earnings were 17 per cent ahead at \$38.7m, or 63 cents, against \$32.9m, or 55 cents a year earlier. Half-year sales were 45 per cent higher at \$1.51bn, equal to those achieved for the whole of the previous fiscal year.

Mr John Sculley, president and chief executive officer, said that the company's break-even point had been lowered. The reshaping enabled Apple to focus more clearly on key markets and bring products to the market more quickly. The company was confident that it was well positioned to take advantage of future growth in the industry.

Cash reserves grew by \$80.4m over the quarter to \$254.6m.

### WEST GERMAN BANK HELPED BY DECLINE IN INTEREST RATES

## BfG gains on improved margins

BY JOHN DAVIES IN FRANKFURT

BANK für Gemeinwirtschaft (BfG), the West German trade union-owned bank, has been benefiting from a recovery in its interest rate margins since April after tighter margins on credit business put pressure on earnings earlier this year.

Herr Thomas Wegscheider, the chief executive, said that earnings in the first few months of this year were not entirely satisfactory. It appeared now, however, that the year's results would be comparable with last year's performance.

BfG, whose group assets reached DM 32.7bn (\$22.1bn) at the end of last year, found its margins were squeezed as higher money market interest rates made refinancing

dearer earlier this year. But with interest rates since resuming a downward trend in West Germany, BfG's interest rate margin improved, at first slightly in April and then more strongly.

Herr Wegscheider said that demand for credit, which was relatively weak earlier in the year, had begun to pick up, although building finance and consumer credit were still slow-moving.

BfG's total non-bank lending at the end of June amounted to DM 25.8bn, slightly more than the DM 25.4bn total at the end of last year.

Herr Wegscheider said that operating earnings last year were, as expected, lower than the record results of 1983. The interest rate sur-

plus was DM 915m, the second highest result after a record surplus of DM 1.05bn in 1983. Its commission earnings for services edged down to DM 170m from DM 173m in 1983.

Profits were again put entirely into reserves to build up the bank's capital position, Herr Wegscheider said.

He added that BfG would have no problem in meeting the capital-to-lending ratio required of banks, including all subsidiaries, in the six-year transition period to 1991. He indicated that BfG might issue profit-sharing certificates (Genusscheine) as part of a capital increase, but had no concrete plans.

BfG and Volksfürsorge Lebens-

versicherung, one of the country's largest life assurance groups, opened a joint branch to conduct banking and insurance business at Eutin, north of Hamburg, last month. They plan to open four other joint branches in southern Germany later this year.

The joint venture, which was announced earlier this year, is one of a number of moves made in Germany during the last couple of years for closer association of banking and life assurance.

Herr Wegscheider said that BfG and its partner would also examine whether their existing branches throughout the country could be adapted to offer both banking and insurance services.

### R. J. Reynolds' performance up ahead of merger with Nabisco

BY CHRIS CAMERON-JONES IN NEW YORK

R. J. REYNOLDS, the second largest U.S. tobacco group, which is merging with Nabisco Brands, yesterday reported a second-quarter pre-tax operating earnings of \$228m or 86 cents a share on smaller equity.

This represented 12 per cent growth on continuing operations but a \$30m decline on the \$260m, or 89 cents, reported for the quarter last year. The advance by continuing operations reflected improved performance by both the tobacco and foods and beverages businesses.

For the half-year, Reynolds showed a \$55m rise in earnings from continuing operations to \$410m, or \$1.52 a share.

The group agreed in June on the \$4.93bn merger with Nabisco to create the biggest consumer products group in the U.S.

Six-month sales at Reynolds increased to \$6.3bn from \$6.2bn, with \$3.4bn, against \$3.36bn previously, coming in the latest quarter.

Tobacco earnings were 15 per cent ahead at \$352m in the quarter as margins benefited from cost cutting, greater efficiency, increased productivity and higher prices.

Earnings from food and beverages were up 8 per cent at \$121m, on the back of a strong performance by Del Monte, more Kentucky Fried Chicken stores and good spirits volume at Heublein.

Reynolds' smaller rival Philip Morris, which also has interests in drink products, achieved a 25 per cent advance in reported second-quarter net earnings to \$21.7m, or \$2.63 a share, from \$23.7m or \$2.10. There were increases in revenue and volume at Philip Morris U.S.A. but at Philip Morris International the effects of strong volume gains were offset by adverse exchange rates. Revenues were down at Miller Brewing, 7-Up and the industrial division.

The group pushed six-month earnings to \$378.1m or \$4.80 a share from \$362.4m or \$3.76. Operating revenues for the first half reached \$7.03bn, up from \$6.88bn. This included a rise to \$3.72bn in the quarter, from \$3.61bn.

### Coca-Cola's profits rise 6% in quarter

By William Hall in New York

COCA-COLA, which last week changed its mind in a startling about-face and said it would reintroduce its famous brand which it had scrapped three months ago, yesterday reported a 6 per cent increase in second-quarter net income to \$190m.

Mr Roberto C. Goizueta, chairman of Coca-Cola, said that the group's "worldwide soft-drink business is engaged in a very dynamic period of activity across the product line." This was being reflected in strong volume and earnings.

The group's sales rose 5.8 per cent to \$2.0bn in the second quarter and earnings per share rose 7.1 per cent to \$1.50. This rate of growth is slightly faster than in the first quarter when earnings per share rose 5.9 per cent to \$1.46. In 1984, the group's earnings per share for the full year rose by 18.1 per cent to \$4.76.

Coca-Cola yesterday repeated its bold forecasts that it expected well over 50 per cent of all cola sales in the U.S. by the end of the year to bear the Coca-Cola trademark and that the group would account for more than one in three of all soft drinks sold in the country.

### American Express cable offer

By Our New York Staff

AMERICAN EXPRESS, the U.S. financial services group, late yesterday formally offered to buy for \$450m in cash the 50 per cent of its Warner/Amex cable television joint venture with Warner Communications which it does not already own.

The proposal is part of American Express' previously announced plan to sell the loss-making Warner/Amex unit to American Television and Communications (ATC), the Time Inc. subsidiary, and Tele-Communications.

As part of the new proposal, ATC and Tele-Communications, which had already sweetened their initial \$750m bid for Warner/Amex to \$850m in cash and the assumption of \$500m in debt, yesterday agreed to increase the bid by another \$50m to \$900m in cash.

Warner Communications has appeared reluctant to sell its 50 per cent stake in the joint venture and has so far declined to respond to the ATC/Tele-Communications bid.

Under the terms of the American Express bid, the group gave its joint venture partner an August 14 deadline to accept its offer or to agree to American Express' stake at the same price.

### Dow Chemical sees better trend

BY OUR NEW YORK STAFF

DOW CHEMICAL, the second biggest U.S. chemicals group, yesterday reported a 1.8 per cent drop in its second-quarter net income to \$159m but said that its performance had improved from last year's weak second half.

The company earned 81 cents per share in the latest three months against 96 cents in the same period last year. Sales were unchanged at \$3bn.

In the first quarter of 1985, Dow earned \$110m against \$78m in the final three months of last year when the company was hurt by an unexpectedly weak demand and the high dollar.

Mr Robert M. Keil, Dow's chief financial officer, said that the improvement represented a "positive trend." He noted that particularly strong quarterly performances were realised by the specialised agricultural and consumer products groups. Increased earnings were also reported for styrofoam brand plastic foams and epoxies.

Mr Keil said that the group experienced further improvement in basic chemicals. Dow's manufacturing plants ran at a high rate of capacity and a variety of products - notably glycerine, chlorinated solvents and ethylene amines - contributed strong returns. A continued emphasis on rationalising production facilities would bolster Dow's recovery in this business, he said.

Dow also benefited from declines in the unit costs of hydrocarbons and energy. The earnings of Dow's related companies rose 34 per cent compared with the first quarter and "outstanding gains" were realised in Dow's global pharmaceuticals business.

In contrast with Dow's encouraging statement, the New Jersey-based American Cyanamid, reported a 33.8 per cent drop in second-quarter earnings to \$36m, or 78 cents per share. It said that 1985 was turning out to be a very difficult year in the chemical and fertilizer industries.

Under the terms of the deal, announced yesterday, Krupp will acquire the 30.03 per cent stake in Werner and Pfleiderer currently held by the British engineering company, Baker Perkins Holding, with effect from next December 31.

On the same date, Krupp will purchase - subject to approval from the federal cartel authorities in Berlin - a further 20.07 per cent of Werner and Pfleiderer from the Fahr and Werner families, which presently own it, thus boosting its stake to a controlling 50.1 per cent.

Under the terms of the agreement, the Stuttgart company will then be converted into a private, limited-liability company from its present status of partnership.

Krupp last night gave no details of how much it would pay for its majority interest in the listed DM 21.7m (\$7.8m) capital of Werner and Pfleiderer.

### Krupp to buy control of toolmaker

By Rupert Cornwell in Bonn

KRUPP, the leading West German steel and engineering group, is taking majority control of the family-run Werner and Pfleiderer, a Stuttgart-based manufacturer of plastic and rubber working machine tools.

Under the terms of the deal, announced yesterday, Krupp will acquire the 30.03 per cent stake in Werner and Pfleiderer currently held by the British engineering company, Baker Perkins Holding, with effect from next December 31.

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### Korean joint venture for Procter

By Steven Butler in Seoul

PROCTER and Gamble of the U.S. and Pacific Chemical of Korea have agreed to establish a joint venture company aimed at Korea's rapidly growing consumer market.

Following another joint venture established by Unilever, it is a further sign of international recognition that Korea's domestic demand for consumer goods is likely to grow explosively in the coming years, as personal income begins to reflect the rapid growth in the economy.

Procter & Gamble and Pacific Chemical will each invest 100m won (\$11.8m) to set up a company that will manufacture cosmetics, detergents and plastic products.

The companies hope to achieve sales of 700m won by 1990, with a small portion, 340m won, aimed for export.

The venture is still subject to approval by the Korean Government.

### Disposals curb growth at Merck

BY OUR NEW YORK STAFF

THE STRONG dollar and the effect of disposals depressed sales and curbed earnings growth in the second quarter at Merck, the U.S. drug company. Net profit was ahead from \$131.37m or \$1.78 per share, to \$137.93m or \$1.92, on sales 2 per cent lower at \$877.37m against \$891.29m last time.

As a result, first-half earnings emerged 5 per cent up at \$289.45m, or \$3.75 a share, compared with \$256.5m or \$3.47. Sales for the period were little changed at \$1.73bn.

Dr P. Roy Vagelos, the newly-elected president and chief executive officer, said that without the effects of the disposal of the two subsidiaries, Celgene Carbon and Baitmore Airocil, sales for the quarter would have been 9 per cent higher at constant exchange rates.

The effect of the exchange rate on sales and income was partly offset by improved product mix, he said. Unit sales gains during the first half were led by newer products.

Analysts see Primaxin, a new in-

jectable antibiotic, and Vasotec (Enalapril) which Merck expects to introduce in the U.S. before the year end, as strong contributors to future growth.

Earnings of the young Elands-Stirling Drug, a smaller U.S. drugs and household products group, lifted second-quarter net earnings to \$33.1m or 53 cents a share, from \$32.1m on continuing operations or \$30.7m final net earnings or 51 cents, last time. Sales in the quarter were up at \$453.64m compared with \$449.95m.

### Gold mines have mixed results

BY KENNETH MARSTON, MINING EDITOR

THE SOUTH AFRICAN gold mining industry's June quarterly reporting season is brought to a close by the Anglo American Corporation group. Although slightly higher gold prices have been received and costs have been contained, net profits for the quarter make a mixed showing.

Ironically, a disappointing profit comes from Vaal Reefs, which also announced a considerably better than expected 1985 interim dividend of 800 cents (30p). This compares with 600 cents a year ago and the subsequent final for 1984 of 740 cents.

Among the other interim payments declared the 240 cents from Southvaal reached best expectations while the distributions of 40 cents and 20 cents, respectively, from Elandsrand and South African Land and Exploration are in line with forecasts.

There may be disappointment, however, with Western Deep's interim of 220 cents, although it is still well up on the 1984 interim of 185 cents which was followed by a final of 265 cents.

Net profits of Vaal Reefs for the latest quarter have fallen to R111.9m (42.4m) from R114.3m in the previous three months and R130.7m in the December quarter.

DIVIDENDS (cents)				
	June	Dec	June	Dec
Elandsrand	40	35	15	20
SA Land	20	20	20	30
Southvaal	240	220	200	180
Vaal Reefs	800	740	600	610
W. Deep	220	285	185	215

\* Dividend interim

The fall reflects a loss of gold production of 4,237 kg caused by the black labour unrest in May.

Particularly affected was the big mine's South Lease area, which is mined on behalf of Southvaal by Vaal Reefs. Royalties paid for this to Southvaal have thus fallen to R47.4m from R83.9m in the March quarter. Vaal Reefs states, however, that its total gold output for the year should still approximate that of 1984.

Western Deep shows a good recovery in net profits to R85m after the fall to R87.4m in the March quarter, when there was a sharp increase in the tax charge. This time tax has fallen in line with a rise in tax-offsetting capital expenditure.

Because of the good gold price, spending for the year is to increase to R250m from the originally budgeted R226m and most of the increase will go on the No 1 shaft.

rand have improved further with a modest rise in both gold output and prices received. During the quarter, 497,000 tonnes of ore were milled. Early next year, the expanded mill should be operating at full capacity of 200,000 tonnes a month.

A plant overhaul has resulted in lower gold and acid production at the East Rand Gold and Uranium (Ergo) dump retreatment operation. This coupled with a higher tax charge has resulted in a temporary setback in net profits.

Sales costs have risen because of spending on the overhaul, together with that on the new carbon-in-leach gold recovery plant. Commissioning of the plant is almost complete and it is expected to produce 2,000 kg of gold this year.

Of the Orange Free State mines, President Brand was not due for a half-yearly dividend from Welkom Gold in the latest quarter. This, together with lower income from the Joint Metallurgical Scheme project, explains the fall in earnings from those of the previous three months.

Free State Gold has earned more at pre-tax level, but has seen its tax charge double as a result of a fall in capital spending. Its latest development values on all reefs come out well.

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(A bank established under Danish Banking Law)

ECU 30,000,000

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 Banque Générale du Luxembourg S.A.      Crédit Agricole  
 Crédit du Nord      Crédit Suisse First Boston Limited  
 DG BANK      Genossenschaftliche Zentralbank AG  
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NEW ISSUE

JUNE 1985

All of these securities having been sold, this announcement appears as a matter of record only.

NEW ISSUE

\$125,000,000

the limited

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The Debentures are convertible at any time prior to maturity, unless previously redeemed, into shares of Common Stock of The Limited, Inc. at a conversion rate of 31.87 shares per \$1,000 principal amount of Debentures (the equivalent of \$31.375 per share), subject to adjustment in certain events.

LAZARD FRÈRES &amp; Co.

July, 1985

All of these securities have been sold. This announcement appears as a matter of record only.

July, 1985



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1,400,000 Shares

Common Stock

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## INTERNATIONAL COMPANIES and FINANCE

### RCA growth slows in second quarter

BY WILLIAM HALL IN NEW YORK

RCA, the U.S. entertainment and communications group, has experienced a slowdown in second quarter growth, with net earnings rising 5 per cent from \$108.9m or \$1.13 a share to \$115.8m or \$1.36.

For the first six months, net earnings rose 13 per cent from \$160.2m or \$1.53 a share to \$180.8m or \$1.94. Sales edged up from \$4.84bn to \$4.91bn, with \$2.54bn (\$2.48bn) in the second quarter.

Mr Robert R. Frederick, RCA's chief executive, said yesterday: "Despite the difficult operating environment for certain of our electronics and consumer oriented businesses, we expect that continuing excellent results in the entertainment and government-related businesses will assure good overall performance for 1985."

In its entertainment operations, earnings of the NBC subsidiary rose 43 per cent to a record level. Earnings and sales of RCA's records and video operations and aerospace and defense businesses also set new highs.

The group's consumer electronics operations were hit by overcapacity in the video recorder industry and severe price competition in television sales, however. The solid state products division continued to suffer reduced demand for semiconductor and significant price erosion. Communications achieved record sales but earnings declined and the Hertz car rental operations, which are in the process of being sold to United Airlines, also turned in substantially lower profits because of "the highly competitive pricing environment" and continued softness in vehicle resale markets.

### Chevron considers sale of downstream network

BY OUR NEW YORK STAFF

CHEVRON, the U.S. oil group which is still digesting last year's \$13.3bn takeover of Gulf, is seeking a buyer for a large part of its downstream operations in the north-eastern U.S.

The group has approached several companies about the possibility of buying a "balanced refining and marketing operation" in the north-east. The package includes a 174,000 barrel a day refinery in Philadelphia and some 4,000 service stations plus associated distribution facilities.

Chevron has asked interested parties to sign a confidentiality agreement in return for receiving details of the specific assets which

are being offered. No price has been mentioned.

The company is currently streamlining its downstream operations which, in common with those of many other oil companies, are proving a major drag on earnings. The sale of the north eastern operations would improve efficiency and reduce the group's heavy debt load.

Several oil companies have been losing money on their downstream operations in the north eastern part of the country. Earlier this year Atlantic Richfield announced plans to pull out of all refining and marketing operations east of the Mississippi and concentrate on its profitable west coast markets.

### FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for July 18.

U.S. DOLLAR	Issued	Old	Other	Change	Yield
Ames Credit 10% 90	100	101 1/2	102	+0 1/2	10.37
Ames Credit 12% 88	100	102 1/2	103 1/2	+0 1/2	10.31
Ames Credit 14% 86	100	104 1/2	105 1/2	+0 1/2	10.24
Bank of Tokyo 12% 91	100	112 1/2	113 1/2	+0 1/2	10.80
BP Capital 11% 92	100	102 1/2	103 1/2	+0 1/2	10.80
Canada 11% 90	100	101 1/2	102 1/2	+0 1/2	10.80
Canada 12% 88	100	103 1/2	104 1/2	+0 1/2	10.80
Canada 14% 86	100	105 1/2	106 1/2	+0 1/2	10.80
CBS Inc 11% 92	100	102 1/2	103 1/2	+0 1/2	10.80
Chevron 12% 88	100	104 1/2	105 1/2	+0 1/2	10.80
Citicorp 11% 91	100	101 1/2	102 1/2	+0 1/2	10.80
Coca Cola 11% 91	100	101 1/2	102 1/2	+0 1/2	10.80
Denmark 10% 91	100	100 1/2	101 1/2	+0 1/2	10.80
Denmark 12% 89	100	102 1/2	103 1/2	+0 1/2	10.80
Denmark 14% 87	100	104 1/2	105 1/2	+0 1/2	10.80
Denmark 16% 85	100	106 1/2	107 1/2	+0 1/2	10.80
Denmark 18% 83	100	108 1/2	109 1/2	+0 1/2	10.80
Denmark 20% 81	100	110 1/2	111 1/2	+0 1/2	10.80
E.C.B. 11% 90	100	101 1/2	102 1/2	+0 1/2	10.80
E.C.B. 12% 88	100	103 1/2	104 1/2	+0 1/2	10.80
E.C.B. 14% 86	100	105 1/2	106 1/2	+0 1/2	10.80
E.C.B. 16% 84	100	107 1/2	108 1/2	+0 1/2	10.80
E.C.B. 18% 82	100	109 1/2	110 1/2	+0 1/2	10.80
E.C.B. 20% 80	100	111 1/2	112 1/2	+0 1/2	10.80
Export-Import Bank 10% 90	100	101 1/2	102 1/2	+0 1/2	10.80
Export-Import Bank 12% 88	100	103 1/2	104 1/2	+0 1/2	10.80
Export-Import Bank 14% 86	100	105 1/2	106 1/2	+0 1/2	10.80
Export-Import Bank 16% 84	100	107 1/2	108 1/2	+0 1/2	10.80
Export-Import Bank 18% 82	100	109 1/2	110 1/2	+0 1/2	10.80
Export-Import Bank 20% 80	100	111 1/2	112 1/2	+0 1/2	10.80
General Electric 10% 90	100	101 1/2	102 1/2	+0 1/2	10.80
General Electric 12% 88	100	103 1/2	104 1/2	+0 1/2	10.80
General Electric 14% 86	100	105 1/2	106 1/2	+0 1/2	10.80
General Electric 16% 84	100	107 1/2	108 1/2	+0 1/2	10.80
General Electric 18% 82	100	109 1/2	110 1/2	+0 1/2	10.80
General Electric 20% 80	100	111 1/2	112 1/2	+0 1/2	10.80
IBM 10% 90	100	101 1/2	102 1/2	+0 1/2	10.80
IBM 12% 88	100	103 1/2	104 1/2	+0 1/2	10.80
IBM 14% 86	100	105 1/2	106 1/2	+0 1/2	10.80
IBM 16% 84	100	107 1/2	108 1/2	+0 1/2	10.80
IBM 18% 82	100	109 1/2	110 1/2	+0 1/2	10.80
IBM 20% 80	100	111 1/2	112 1/2	+0 1/2	10.80
Indes 10% 90	100	101 1/2	102 1/2	+0 1/2	10.80
Indes 12% 88	100	103 1/2	104 1/2	+0 1/2	10.80
Indes 14% 86	100	105 1/2	106 1/2	+0 1/2	10.80
Indes 16% 84	100	107 1/2	108 1/2	+0 1/2	10.80
Indes 18% 82	100	109 1/2	110 1/2	+0 1/2	10.80
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Lot 14% 86	100	105 1/2	106 1/2	+0 1/2	10.80
Lot 16% 84	100	107 1/2	108 1/2	+0 1/2	10.80
Lot 18% 82	100	109 1/2	110 1/2	+0 1/2	10.80
Lot 20% 80	100	111 1/2	112 1/2	+0 1/2	10.80
Mallin 10% 90	100	101 1/2	102 1/2	+0 1/2	10.80
Mallin 12% 88	100	103 1/2	104 1/2	+0 1/2	10.80
Mallin 14% 86	100	105 1/2	106 1/2	+0 1/2	10.80
Mallin 16% 84	100	107 1/2	108 1/2	+0 1/2	10.80
Mallin 18% 82	100	109 1/2	110 1/2	+0 1/2	10.80
Mallin 20% 80	100	111 1/2	112 1/2	+0 1/2	10.80
Merrill Lynch 10% 90	100	101 1/2	102 1/2	+0 1/2	10.80
Merrill Lynch 12% 88	100	103 1/2	104 1/2	+0 1/2	10.80
Merrill Lynch 14% 86	100	105 1/2	106 1/2	+0 1/2	10.80
Merrill Lynch 16% 84	100	107 1/2	108 1/2	+0 1/2	10.80
Merrill Lynch 18% 82	100	109 1/2	110 1/2	+0 1/2	10.80
Merrill Lynch 20% 80	100	111 1/2	112 1/2	+0 1/2	10.80
Philly 10% 90	100	101 1/2	102 1/2	+0 1/2	10.80
Philly 12% 88	100	103 1/2	104 1/2	+0 1/2	10.80
Philly 14% 86	100	105 1/2	106 1/2	+0 1/2	10.80
Philly 16% 84	100	107 1/2	108 1/2	+0 1/2	10.80
Philly 18% 82	100	109 1/2	110 1/2	+0 1/2	10.80
Philly 20% 80	100	111 1/2	112 1/2	+0 1/2	10.80
Quaker 10% 90	100	101 1/2	102 1/2	+0 1/2	10.80
Quaker 12% 88	100	103 1/2	104 1/2	+0 1/2	10.80
Quaker 14% 86	100	105 1/2	106 1/2	+0 1/2	10.80
Quaker 16% 84	100	107 1/2	108 1/2	+0 1/2	10.80
Quaker 18% 82	100	109 1/2	110 1/2	+0 1/2	10.80
Quaker 20% 80	100	111 1/2	112 1/2	+0 1/2	10.80
Royal Bank 10% 90	100	101 1/2	102 1/2	+0 1/2	10.80
Royal Bank 12% 88	100	103 1/2	104 1/2	+0 1/2	10.80
Royal Bank 14% 86	100	105 1/2	106 1/2	+0 1/2	10.80
Royal Bank 16% 84	100	107 1/2	108 1/2	+0 1/2	10.80
Royal Bank 18% 82	100	109 1/2	110 1/2	+0 1/2	10.80
Royal Bank 20% 80	100	111 1/2	112 1/2	+0 1/2	10.80
Sakath 10% 90	100	101 1/2	102 1/2	+0 1/2	10.80
Sakath 12% 88	100	103 1/2	104 1/2	+0 1/2	10.80
Sakath 14% 86	100	105 1/2	106 1/2	+0 1/2	10.80
Sakath 16% 84	100	107 1/2	108 1/2	+0 1/2	10.80
Sakath 18% 82	100	109 1/2	110 1/2	+0 1/2	10.80
Sakath 20% 80	100	111 1/2	112 1/2	+0 1/2	10.80
Swedish 10% 90	100	101 1/2	102 1/2	+0 1/2	10.80
Swedish 12% 88	100	103 1/2	104 1/2	+0 1/2	10.80
Swedish 14% 86	100	105 1/2	106 1/2	+0 1/2	10.80
Swedish 16% 84	100	107 1/2	108 1/2	+0 1/2	10.80
Swedish 18% 82	100	109 1/2	110 1/2	+0 1/2	10.80
Swedish 20% 80	100	111 1/2	112 1/2	+0 1/2	10.80
Texas 10% 90	100	101 1/2	102 1/2	+0 1/2	10.80
Texas 12% 88	100	103 1/2	104 1/2	+0 1/2	10.80
Texas 14% 86	100	105 1/2	106 1/2	+0 1/2	10.80
Texas 16% 84	100	107 1/2	108 1/2	+0 1/2	10.80
Texas 18% 82	100	109 1/2	110 1/2	+0 1/2	10.80
Texas 20% 80	100	111 1/2	112 1/2	+0 1/2	10.80
World Bank 10% 90	100	101 1/2	102 1/2	+0 1/2	10.80
World Bank 12% 88	100	103 1/2	104 1/2	+0 1/2	10.80
World Bank 14% 86	100	105 1/2	106 1/2	+0 1/2	10.80
World Bank 16% 84	100	107 1/2	108 1/2	+0 1/2	10.80
World Bank 18% 82	100	109 1/2	110 1/2	+0 1/2	10.80
World Bank 20% 80	100	111 1/2	112 1/2	+0 1/2	10.80

OTHER STRAIGHTS	Issued	Old	Other	Change	Yield
Ames 10% 90	100	101 1/2	102 1/2	+0 1/2	10.37
Ames 12% 88	100	103 1/2	104 1/2	+0 1/2	10.31
Ames 14% 86	100	105 1/2	106 1/2	+0 1/2	10.24
Bank of Tokyo 12% 91	100	112 1/2	113 1/2	+0 1/2	10.80
BP Capital 11% 92	100	102 1/2	103 1/2	+0 1/2	10.80
Canada 11% 90	100	101 1/2	102 1/2	+0 1/2	10.80
Canada 12% 88	100	103 1/2	104 1/2	+0 1/2	10.80
Canada 14% 86	100	105 1/2	106 1/2	+0 1/2	10.80
CBS Inc 11% 92	100	102 1/2	103 1/2	+0 1/2	10.80
Chevron 12% 88	100	104 1/2	105 1/2	+0 1/2	10.80
Citicorp 11% 91	100	101 1/2	102 1/2	+0 1/2	10.80
Coca Cola 11% 91	100	101 1/2	102 1/2	+0 1/2	10.80
Denmark 10% 91	100	100 1/2	101 1/2	+0 1/2	10.80
Denmark 12% 89	100	102 1/2	103 1/2	+0 1/2	10.80
Denmark 14% 87	100	104 1/2	105 1/2	+0 1/2	10.80
Denmark 16% 85	100	106 1/2	107 1/2	+0 1/2	10.80
Denmark 18% 83	100	108 1/2	109 1/2	+0 1/2	10.80
Denmark 20% 81	100	110 1/2	111 1/2	+0 1/2	10.80
E.C.B. 11% 90	100	101 1/2	102 1/2	+0 1/2	10.80</



## INTL. COMPANIES &amp; FINANCE

## Eurobond houses face up to the challenge of self-regulation

BY MAGGIE URRY

ONCE AGAIN the Eurobond market is faced with a challenge. This time the threat is from the regulators. Like the rest of the London-based financial services industry, the market's representatives must spend this summer preparing proposals in time for the deadline set by Sir Kenneth Berrill, chairman of the Securities and Investments Board, for self-regulatory organisations (SROs) to declare themselves.

Sir Kenneth picked out Eurobond trading as an area of particular concern to British regulators. Yet many people within the industry doubt whether the market could have fought off the competition to become the second largest capital market in the world, with a value close to \$300bn, had it been fettered by outside regulation.

The body most likely to act as the SRO for the Eurobond market is the Association of International Bond Dealers (AIBD), which was founded 17 years ago to represent the market's interests. Mr Damien Wigny, the AIBD's chairman, who is also an executive director of Kredietbank Luxembourg, says: "If the market is to remain free it must preoccupy itself more with self-regulation."

The AIBD has already done much to prepare for this role. At its annual meeting in May a package of reforms was passed in principle which will enable the AIBD board to take swift action to make and change the rules by which the market operates.

In putting the reform proposals to the AGM, Mr Wigny said: "A number of us on the board had for some time sensed that something had to change, and change fast, if AIBD were to have any further role as a self-regulatory body for the Eurobond secondary market."

The need for reform was illustrated by the scandal which blew up in the Eurobond market in June last year when traders at two firms, Bear Stearns International in London and Union Bank of Switzerland (Securities) in New York, acted together to deal at prices different from market prices, enabling them to pocket the difference.

The dispute led to the first use of the AIBD's arbitration procedure. Eurobond traders were furious at suggestions from outsiders that fraud is endemic in the market because of the lack of regulation, and that this case was the tip of an iceberg.

Regulatory authorities, such as central banks, began to take an interest in the issue. The AIBD's response was to propose an amendment to its rules at the May AGM, although Mr Wigny stressed that lack of regulation was not the problem. "Nothing can be done in any international market where two parties to a deal, or their stacks, set with fraudulent intent."

The rule change required dealers to state on contract notes whether a deal was concluded at a price different from the prevailing quotation in the market. The AIBD has introduced a system of recording daily prices, although this cannot be wholly satisfactory in a



Damien Wigny: in favour of reform

market where many dealers make prices over the telephone in the same issues, and where there is no central market place such as a stock exchange, at which official prices are quoted which can then be used for reference.

In putting the amendment, Mr Tom Becham, chairman of the AIBD's market practices committee, said: "We, as a responsible capital market, must be seen to regulate ourselves, particularly if we do not want to have others to do it for us."

The meeting adopted the amendment, but by then almost a year had passed, since the problem which necessitated the change had arisen. Had the board been empowered to make and amend rules, at the time of the fraud's discovery, a response could have come much more

quickly to reassure the market and regulators alike.

Detailed proposals for strengthening the AIBD, which will be put to an extraordinary general meeting in December, cover three main areas:

● Changes to rules and recommendations on trading and settlement practices to be made by the board itself, rather than the AGM, to speed up the process. The AGM would retain a right of veto.

● a change in the board's election process with nominations to be made by a special committee, as well as individual nominations, and one-third of a 15-member board re-elected each year.

● greater responsibility to be laid on the AIBD's regional organisations for the good functioning of the market, with the establishment of regional committees.

If approved, the new system will come into force after the next AGM in May 1986.

Mr David Watkins, a new member of the AIBD board, points out that "there are various authorities who wish to encourage regulation in the Eurobond market. The AIBD will now be better placed to respond to those pressures on behalf of its membership."

However, the AIBD shares the same difficulties in regulating the Eurobond market as any other self-regulatory body. The associations *raison d'être* is to serve its members' interests, not to provide protection for investors—the object of the British Government's forthcoming legislation.

## U.S. QUARTERLY RESULTS

ETHYL Chemicals Plastics Aluminium	GANNETT COMPANY Publishing, Broadcasting	KROGER COMPANY Supermarkets	MACMILLAN Publishing
Second quarter 1985 1984	Second quarter 1985 1984	Second quarter 1985 1984	Second quarter 1985 1984
Revenue 404.3m 458.5m	Revenue 558.9m 491.7m	Revenue 3.98m 3.8m	Revenue 145.3m 104.9m
Net profits 16m 35.8m	Net profits 71.8m 58.7m	Net profits 46.7m 43.2m	Net profits 6.8m 5.1m
Net per share 0.22 0.46	Net per share 0.9 0.76	Net per share 1.07 0.94	Net per share 0.30 0.27
Six months	Six months	Six months	Six months
Revenue 781.7m 864.5m	Revenue 1,040m 919.5m	Revenue 7.8m 7.4m	Revenue 244.9m 182.2m
Net profits 44.5m 80.3m	Net profits 113.1m 84.5m	Net profits 78.1m 73.1m	Net profits 7.3m 4.8m
Net per share 0.68 0.76	Net per share 1.41 1.14	Net per share 1.77 1.35	Net per share 0.35 0.25
GAFF Building Materials	GREAT WESTERN FINANCIAL Savings and Loans	LSI LOGIC Customised Chips	MELVILLE Diversified Retailer
Second quarter 1985 1984	Second quarter 1985 1984	Second quarter 1985 1984	Second quarter 1985 1984
Revenue 188.1m 191.3m	Revenue 846.8m 885.2m	Revenue 32.2m 21m	Revenue 1.6m 1.1m
Net profits 16.4m 11.5m	Net profits 42.3m 27m	Net profits 2.1m 3.5m	Net profits 47.7m 37.4m
Net per share 0.87 0.77	Net per share 1.73 0.78	Net per share 0.8 0.15	Net per share 0.88 0.71
Six months	Six months	Six months	Six months
Revenue 363.5m 361.2m	Revenue 1,670m 1,320m	Revenue 64.1m 35.4m	Revenue 2.1m 1.9m
Net profits 28.5m 19.3m	Net profits 77.3m 62.2m	Net profits 3.7m 7.6m	Net profits 41.8m 42.8m
Net per share 1.23 0.72	Net per share 1.33 1.07	Net per share 0.14 0.23	Net per share 0.77 0.87

NEW ISSUE: This announcement appears as a matter of record only. JULY 1985

U.S. \$75,000,000



BSN

(Incorporated with limited liability in The Republic of France)

6¾% Convertible Bonds Due 2000 convertible into ordinary shares of BSN

Lazard Frères et Cie

Credit Suisse First Boston Limited

Banque Paribas Capital Markets

Crédit Lyonnais

Banque Nationale de Paris

Deutsche Bank Aktiengesellschaft

Generale Bank

Lombard Odier International Underwriters S.A.

Morgan Guaranty Ltd

Morgan Stanley International

Nomura International Limited

Société Générale

Swiss Bank Corporation International Limited

Union Bank of Switzerland (Securities) Limited

Algemene Bank Nederland N.V.

Julius Baer International

Bank Cantrade Switzerland (C.I.)

Bank Gutzwiller, Kurz, Bungeer (Overseas)

Bank Heusser &amp; Co. Ltd.

Bank Leu International Ltd.

Bank in Liechtenstein AG

Banque Bruxelles Lambert S.A.

Banque de Dépôts et de Gestion

Banque Indosuez

Banque de Neufilze, Schlumberger, Mallet

Banque Romande

Banque Transatlantique

Bordier et Cie

Caisse Centrale des Banques Populaires

Clariden Bank

Compagnie de Banque et d'Investissements, CBI

Crédit Agricole

Crédit Commercial de France

Crédit du Nord

CSFB-Effektenbank AG

Dalwa Europe

DG BANK

Dresdner Bank

Gefina International Limited

Genossenschaftliche Zentralbank AG

Hentsch &amp; Cie

Hoare Govett Ltd

Kleinwort, Benson

Lazard Brothers &amp; Co.

Lazard Frères &amp; Company

Lloyds Bank International

Merrill Lynch Capital Markets

New Japan Securities Europe

The Nikko Securities Co., (Europe) Ltd.

Nippon Kangyo Kakumaru (Europe)

Sal. Oppenheim jr. &amp; Cie

Peterbroeck, van Campenhout &amp; Cie. S.C.S.

Pictet International Ltd

Pierson, Hekking &amp; Pierson N.V.

Rothschild Bank AG

Sarasin International Securities

J. Henry Schröder Wagg &amp; Co.

SGS Finance S.A.

Société Financière Mirelis S.A.

Swiss Volksbank

Union Bank of Finland

United Overseas Bank S.A.

Verband Schweizerischer Kantonalbanken

Westdeutsche Landesbank

Yamaichi International (Europe)

Financial Adviser to BSN:

Lazard Brothers &amp; Co., Limited

CIGNA

## CIGNA Corporation

U.S. \$300,000,000

Multi-Option Financing Facility

Co-Arrangers

Morgan Guaranty Ltd

Credit Suisse First Boston Limited

Lead Managers

The Bank of Tokyo Trust Company

Swiss Bank Corporation

CIC-Union Européenne International et Cie.

Toronto Dominion International Limited

Credit Suisse

Westpac Banking Corporation

The Fuji Bank, Limited

Co-Lead Managers

Westdeutsche Landesbank

Banque Nationale de Paris

Managers

Barclays Bank PLC

The Sumitomo Bank, Limited

Credito Italiano

The Sumitomo Trust and Banking Co., Ltd.

The Mitsui Bank Ltd.

Banque Bruxelles Lambert S.A.

Tender Panel Members

CIC-Union Européenne International et Cie.

Morgan Stanley International

Citicorp Investment Bank Limited

PaineWebber International

Credit Suisse First Boston Limited

Salomon Brothers International Limited

Fuji International Finance Limited

Smith Barney, Harris Upham &amp; Co. Incorporated

Goldman Sachs International Corp.

Swiss Bank Corporation International Limited

Morgan Grenfell &amp; Co. Limited

Toronto Dominion International Limited

Morgan Guaranty Ltd

Westpac Banking Corporation

Loan Facility, Tender Panel and Note Agent

Morgan Guaranty Trust Company of New York

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June 1985

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New Issue/July, 1985

U.S. \$100,000,000

## Republic New York Corporation

Floating Rate Subordinated Notes Due July 2010

Salomon Brothers International Limited

Merrill Lynch Capital Markets

Shearson Lehman Brothers International

Bear, Stearns International Limited

Banque Bruxelles Lambert S.A.

Banque Nationale de Paris

Dai-ichi Kangyo International Limited

Girozentrale und Bank der österreichischen Sparkassen

IBJ International Limited

Kyowa Bank Nederland N.V.

LTCB International Limited

Mitsubishi Trust &amp; Banking Corporation (Europe) S.A.

Mitsui Finance International Limited

Mitsui Trust Bank (Europe) S.A.

Samuel Montagu &amp; Co. Limited

Nippon Credit International (HK) Ltd.

Republic New York (U.K.) Limited

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Sumitomo Finance International

Sumitomo Trust International Limited

Swiss Bank Corporation International Limited

The Taiyo Kobe Bank (Luxembourg) S.A.

Takugin International Bank (Europe) S.A.

Toyo Trust International Limited

Yasuda Trust Europe Limited







## UK COMPANY NEWS

## Panel rejects Fleet's complaint against United

BY DAVID GOODHART

United Newspapers' plans to take over Fleet Holdings, owners of Express Newspapers, took an unusual turn yesterday when the Take-over Panel rejected Fleet's allegations that United had been acting in concert with Montagu Investment Management.

Mr David Stevens is chairman of both companies. However, despite having been cleared, United stated yesterday that MIM and itself should be regarded for the purpose of the take-over code as "being in the same position as if they were acting in concert, since the announcement on March 25 of United's intention to make an offer for Fleet."

The company also said that it is announcing an offer before September 4 it will include a cash alternative of not less than 20.75p—the highest price paid by United or clients of MIM in the last 12 months.

If the two companies had been found to be acting in concert United would probably have been forced to make such a cash alternative offer.

United now holds 16.9m Fleet

shares (20.8 per cent) and MIM, on behalf of investment clients, holds 2.3m (3.49 per cent). Following United's announcement of a bid intention in March an automatic referral was made to the Monopolies and Mergers Commission.

The Commission's report—which is expected to clear the bid—will be sent to Industry Secretary Mr Norman Tebbit next week. He will then announce his decision a month later. United is thus in fact not likely to make a bid until after September 4.

The controversy over acting in concert—which underlines how bitterly Fleet will resist the eventual bid—centres on United's purchase of a 15.76 per cent stake in Fleet from Mr Robert Maxwell's Pergamon Press in January.

Under rule 11 of the take-over code if a company—or a company acting in concert with it—acquires 15 per cent or more of the voting rights for cash it must make a cash alternative offer.

United did not make such an

offer when along with MIM it acquired the 15.76 per cent Pergamon stake, although in March it did say that the then Fleet share price of 28.5p fully valued the company.

In April Kleinwort Benson acting for Fleet wrote to the Take-over Panel complaining, in effect, the United was able to escape making a cash offer only because MIM was not regarded as acting in concert.

It challenged that assumption partly on the grounds of the obviously close relationship between United Newspapers and the Samuel Montagu Group (of which MIM is a part). It is also understood that Kleinwort drew the Panel's attention to the fact that the United/Samuel Montagu group purchases were made in four different accounts: Realmain, Glyn Mills Nominees, Harrison Nominees, and Samuel Montagu and Company Nominees.

One key part of Kleinwort's complaint appears, however, to have arisen from an error in disclosure. Fleet was informed by Samuel Montagu that all the



Lord Matthews, chairman of Fleet Holdings, and Mr David Stevens, head of United Newspapers

shares held in the Glyn Mills account were beneficially owned by United.

Kleinwort latched on to that as evidence of an "off-market" sale between United and Samuel Montagu. The disclosure was later corrected.

United, which has grown very rapidly since Mr Stevens took over in 1981, indicated yesterday that it was aware of the possibility of a complaint from Fleet and had thus acted with the

greatest of care and cleared every move before it was taken with the Take-over Panel.

If United was to make an offer at 27.0p—whichever is unlikely—it would value Fleet at only £228m. In May stockbrokers Grieson Grant valued Fleet at between £285m and £361.2m on a "break up basis."

Fleet's shares yesterday rose 1p to 31.5p. United remained on 28.5p.

## Bid now unacceptable to York Trailer

By Andrew Arends

York Trailer Holdings, the trailer and vehicle component maker, last night reversed its position and said that an agreed £4.96m offer for it from United Parcels, the express parcel carrier, was inadequate in light of York's latest interim figures.

However, United Parcels already has received irrevocable undertakings to accept its offer of 45p per York share from shareholders representing 60 per cent of York equity, which would give it formal control.

Mr Martyn Smith, financial director at United Parcels, said yesterday that the company had no intention of raising the price, and he said that the formal offer document would be sent to York shareholders as soon as possible.

Mr Smith said that when the agreed offer was first announced, in late June, York had then regarded the price as fair and reasonable.

Yesterday York revealed its interim results for the six months to June 30. On turnover of £13.65m it came in with pre-tax profits of £592,000, compared with turnover of £11.77m and profits of £258,000 in the corresponding period.

Phillips and Drew, York's stockbroker, said that in view of these figures, the United Parcels offer was not fair and reasonable, and Mr Samuel Beckett, a York trailer director, called on the remaining 40 per cent of shareholders who have not accepted the offer to take no further action.

Three shareholders, Mr J. F. Davies, Mr J. D. Davies and their father Mr Fred Davies, York's chairman, have accepted the offer already and are refraining from commenting on yesterday's announcement.

York said yesterday that it will be sending a letter to shareholders as soon as possible, its shares closed 2p higher yesterday at 45p.

## Habitat-Mothercare has been buying shares in Burton

BY MARTIN DICKSON

Habitat-Mothercare, which is backing Burton Group's increased £350m takeover bid for Debenhams, disclosed yesterday that it had taken the highly unusual step of buying shares in Burton.

It bought 500,000 shares—0.002 per cent of Burton's equity—on Wednesday, the day Burton launched its revised offer for Debenhams and when it was attempting to tie up the underwriting for the new terms. With Burton's share price falling 27p on the day, to 44.8p, the underwriting did not proceed entirely smoothly.

Meanwhile, House of Fraser, Debenhams High Street rival, disclosed yesterday that it had further increased its stake in the stores group to 10.95 per cent, through share purchases up to Wednesday.

Mr Ian Peacock, Habitat's finance director, said the company bought the Burton shares because it regarded the company as an attractive investment "and at this particular juncture we wished to provide them with a taken of active support in the bid for Debenhams."

However, Mr David Hillyard, Debenhams's finance director, described the move as a "valiant attempt to support a rather weak share."

If the Burton bid succeeds, Habitat would have a contract to redesign Debenhams' stores, have the use of 20 per cent of the trading space for its own merchandise and an option to acquire up to one-fifth of Debenhams at Burton's original purchase price.

Share purchases by an interested party like Habitat are permitted under the City take-over code, although the buyer has to wait a day after disclosing the purchase before entering the market again.

However, the Takeover Panel earlier this year scrapped a provision—rule 37—which prevented people with a "significant

commercial interest" in the outcome of a bid dealing in the shares of either the predator or target companies. The rule was eliminated because of the Panel's difficulty in defining a "significant interest," though this was usually interpreted as being a substantial trading relationship with one party or another.

Habitat, which was last night showing a small loss on its £2.3m investment, said it was keeping the possibility of further purchases under review and believed the holding would show a good long-term profit.

Burton's share price closed last night at 44.9p, down 1p on the day, which values its paper and cash offer at 427.5p for each Debenhams share. There is a 357p cash alternative.

Debenhams shares closed at 31.4p, down 5p on the day, while Habitat were up 2p at 38.8p.

**Yeoman Investment**

YEOMAN INVESTMENT TRUST reports an increase in net asset value per share from 267.5p to 314.5p in the year to June 30, 1985. The interim dividend is raised from 3p to 3.5p net—last year a total of 8.5p was paid. Gross revenue for six months to end June was up from £74,102 to £87,416, with franked income accounting for £64,769 (£60,666), unfranked income £25,753 (£13,432) and interest receivable, £51,894 (£43,429). After administration charges of £50,982 (£76,645), interest charges of £12,500 (£19,830) and tax up from £197,390 to £246,128, net earnings emerged at £31,534 compared with 472,234.

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## Bell's shareholders slow to accept Guinness offer

BY LISA WOOD

THE BATTLE for ownership of Arthur Bell, the Scotch whisky distiller, noted up yesterday with Guinness announcing that by the first closing date of its bid, acceptances had been received from the holders of 5.04 per cent of Bell's shares.

Guinness, which holds no Bell shares of its own, said the level of acceptances was "most encouraging," while Bell called it "exceedingly low."

Mr Ernest Saunders, chief executive of Guinness, said: "This level of acceptances on the first closing date of a contested offer is most encouraging, particularly as clearance from a reference to the Monopolies and Mergers Commission has not yet been given."

It is understood that Mr Norman Tebbit, Minister for Trade and Industry, will make an announcement shortly on whether or not the bid will be

referred to the Monopolies and Mergers Commission. Papers were last night expected to be sent to the Minister from the Office of Fair Trading, giving its recommendation.

Bell also announced yesterday it is strengthening its public relations expertise to help fight the bid from Guinness. Spend-wick Consultants will work in conjunction with the group's in-house PR consultants, the Wheatheaf Partnership.

Guinness is offering nine of its shares for every 10 of Bell's with a cash alternative of 22.5p. The Guinness share price last night closed at 25.0p valuing Bell at 25.5p, down 3p.

Offers and the cash alternative have been extended until 3.00 pm next Thursday. In addition to the acceptance of holders of 6.7m Bell's ordinary shares yesterday, there were 57,000 preference shares (14.47 per cent).

## COMPANY NEWS IN BRIEF

**HABIT Precision Engineering**, maker of industrial diamond tools, pushed up turnover from £1.5m to £3.89m and profit from £105,000 to £205,000 in half year ended March 31, 1985. Interim dividend raised to 0.6p (5.5p) net and forecast is for a lift in the final (1p last time).

The diamond tooling subsidiaries performed particularly well, says chairman Mr James Mayne. Trading is continuing satisfactorily, and substantial resources are being devoted to development of new aluminium die product for computer industry, for which prospects are said to be very exciting. David Willetts, a partner of the company's auditors Neville Russell, is to become a non-executive director. Neville Russell will resign as auditors.

**G. F. LOVELL**, confectionery maker, reports turnover of £3.14m and pre-tax profit of £218,000 for year ended March 31, 1985, compared with £4.49m and loss £33,000 respectively in previous 12 months. Dividend is held at 3p. Hot weather last July and August disrupted production and turnover, and loss during that period was not completely recovered.

**STANDARD HOLDINGS**, carpet manufacturer, incurred a loss before tax of £569,000 in the year to March 31, 1985, compared with previous profits of £76,000. Turnover was static at £38.37m (£33.17m). Financial charges were up from £367,000 to £698,000. Extraordinary debits rose to £290,000 (£28,000). Loss per 10p share totalled 8.4p (8.6p). In first three months of current year sales and operating profits were well ahead of last year.

**DEWHURST & Partner**, maker of electrical control equipment, raised pre-tax profits to £166,408 (£87,358) in the half year to March 31, 1985. Turnover totalled £2,006m (£1,833m). Earnings amounted to 1.59p (0.86p) and the interim dividend is lifted to 0.35p (0.25p) per 10p share.

**SPAFAX TELEVISION Holdings**, a USM stock engaged in videotape programme production, pushed pre-tax profits up from £190,000 to £227,000 over the

half-year to end-March 1985. The result was better than expected due to cost control and higher than anticipated business intake. Turnover amounted to £288,000 (£270,000). There is no interim dividend but the company expects to pay a final of 2p.

**GOLDSMITHS GROUP** has acquired Dryden Insurance Services, which carries on business of insurance consultants at Sedgfield, County Durham, and Thornaby, North Yorkshire. Consideration amounts to about £70,500 in cash and shares.

General Consolidated Investment Trust achieved higher net earnings of £915,000, against £788,000, over the six months to June 30, 1985. Net asset value

per share at the end of the period was 300.3p, compared with 245.7p a year previous. The interim dividend is 8.5p (2.7p) with earnings per share at 4.5p (4.22p).

**GLEN INTERNATIONAL**, the Edinburgh-based licensed dealer in Securities and international securities trading house has acquired 272,500 ordinary shares of Fyfe Holdings, and represents 5.51 per cent.

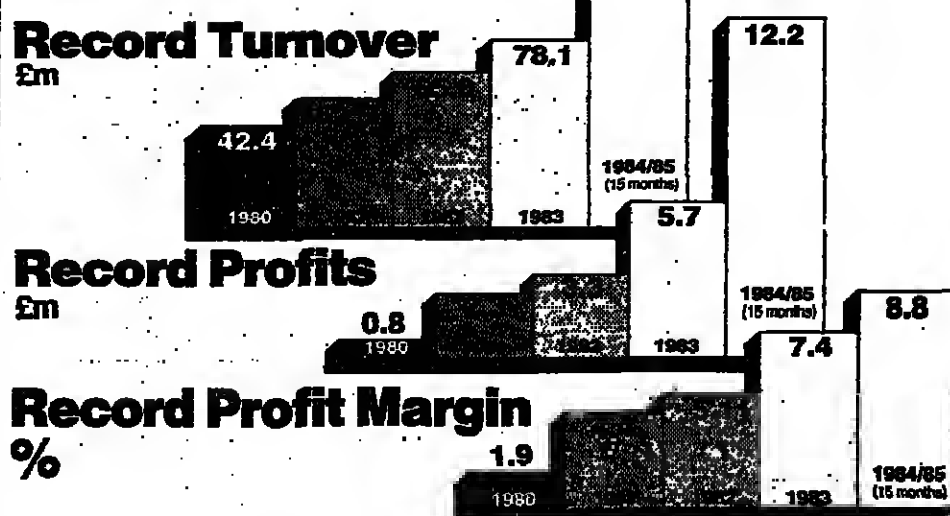
**WHITWORTH'S FOOD GROUP**, the Chatteris-based fruit and vegetable distribution company, has acquired Peter C. Cocks (Potatoes) of Souththorpe and Darlington, preparers, distributors and merchants of potatoes.

## DIVIDENDS ANNOUNCED

Company	Current dividend	Date of payment	Corresponding dividend	Total dividend	Total dividend last year
Automated Security Int.	0.55	Nov. 15	0.48	1.24	1.24
Berlidsford	3.75	—	4	5.28	6.61
BET	11.25	Oct. 4	9.75	14	12
British Bloodstock	3.51	—	—	—	—
BTS	4.25	Oct. 1	—	—	—
Crown House	4.25	Oct. 1	3.9	7	6.4
Davy Corporation	2.50	—	2.50	3.80	3.80
Dewhurst & Partner Int.	0.95	—	0.25	0.75	1.5
Distillers	10.5	Oct. 11	9.15	15	13.65
General Consul Int.	3.5	Aug. 12	2.15	9.2	9.2
Gestetner	0.5	Sept. 11	0.5	1.22	1.22
Great Universal	11.75	Dec. 20	10.5	18	16
Habit Precision	0.6	Aug. 30	0.5	0.5	0.5
Haslemere	7.5	Oct. 7	6.61	9.6	8.7
Independent Liv	0.5	Sept. 26	0.5	0.5	0.5
Lourde	2nd Int.	4	Oct. 1	3.5	11
G. F. Lovell	3	Oct. 1	3	3	3
Y. J. Lovell	1.5	Sept. 6	1.4	4.2	6
Robertson Research	6.5	Oct. 1	5.4	10	9
Syltone	0.63	—	—	0.63	—
Tops Estates	2	Sept. 27	0.75	2	0.75
Victoria Carpet	2	Sept. 9	2	2	2
Yeoman Invest. Trst	3.5	—	—	—	—

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ¶For 71 weeks. ¶¶For 17 months.

## Continuing Rapid Growth

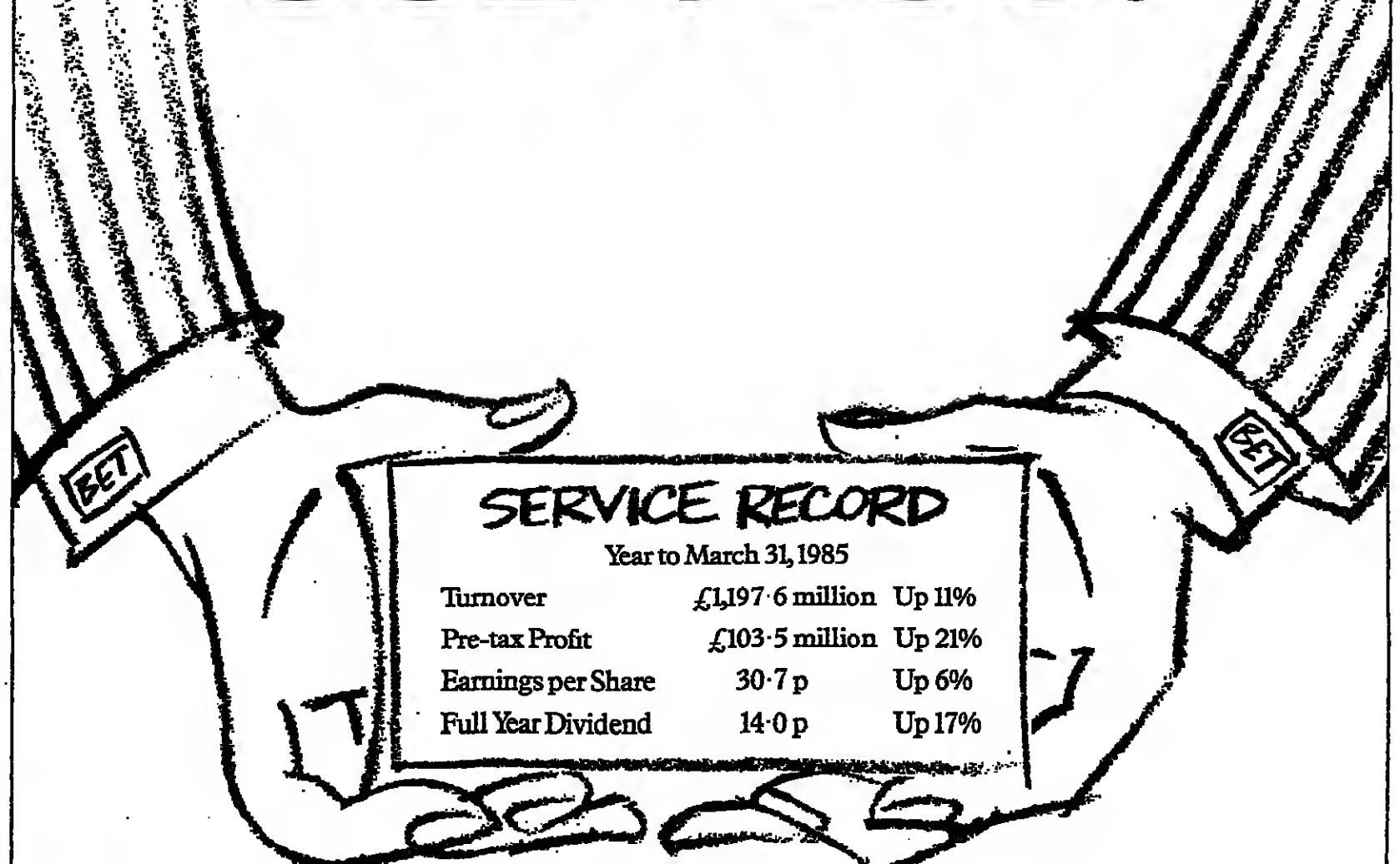


- \* Pre-tax profit up by 105% (15 months)
- \* Four year old US operation contributes 58% of pre-tax profit
- \* Strong recovery in regional newspapers
- \* Record UK profit in business and consumer magazines

**ARGUS PRESS GROUP**

Publishers of Business and Consumer and Specialist Magazines and Regional Newspapers  
A BET PUBLISHING COMPANY

## Profitable service.



Our annual results show a healthy rise in pre-tax profits.

Earnings per share, although affected by tax increases as a result of reduced capital allowances on our hire and rental businesses and by the costs of restructuring, are still up on 1983.

But the important news is that, with the Initial acquisition completing the last major stage of BET's crucial two year restructuring

plan, we are now organised for growth.

If you'd like details of the acquisitions, reorganisations and divestitures that have given BET a clearly defined line-up of service-orientated businesses in sectors where we are actual or potential market leaders—write for a copy of our

Annual Report to Neil Ryder, BET PLC, Stratton House, Piccadilly, London W1X 6AS.

Then you'll see why we're confident of long term growth in earnings per share.

**BET**  
putting experience to good service







## UK COMPANY NEWS

## Davy recovery upheld despite poor markets

A FURTHER recovery in profits was made by the Davy Corporation in the 1984-85 year and with a £12.1m credit arising from the restructuring of the U.S. pension plan the group was able to make a transfer to reserves.

The pre-tax result to March 31, climbed from £7.53m to £13.05m and after all charges there was a retained profit of £6.95m compared with a deficit of £7.89m. There were extraordinary credits of £546,000, against charges of £10.5m, with the U.S. pension plan charge offset by £1.55m incurred on closure of some engineering offices.

The dividend is being maintained at 3.88p through an unchanged final of 2.58p. Earnings rose to 10.5p (6.8p) per share.

Mr Peter Benson, the chairman, says the improvement was achieved in spite of the low level of market demand in most of the industries which Davy serves. "It results from the action over the past three years in reducing capacity in line with the lower level of world demand," he says.

Engineering and construction companies increased profits by £4.5m mainly due to the reduction of German losses following transfer of the Cologne office to Frankfurt and improved profits from the Zimmer company. However, it was necessary to make additional provisions on the USSR Alpha Olefins contract. The performance of UK companies was satisfactory with a particularly good result from Stockton. Pools also improved, but profits were lower from Sheffield and London. Market difficulties continued in the U.S. and profits were lower in spite of another outstanding performance from the Chicago office which services the food and pharmaceutical market. Substantial losses were, however, made by the Lakeland, Cleveland and Boston offices, Mr Benson. Australian activity declined and profits were lower. Manufacturing and service companies contributed slightly less. In mechanical handling, the Herbert Morris South Africa managed to break-even. The performance of the service companies, particularly the foundries and forges had a good year with increased profits from the roll making companies. However, some of the service companies, particularly the foundries and forges, were adversely affected by the miners' strike, although Senelco increased profits.

On prospects, the chairman



Mr Peter Benson, the chairman

says "our scale of operations is now in line with demand, our technology base continues to improve and, although the market is far noisier, I am hopeful that the recovery in profits will continue."

**comment**  
If there was a surprise to be found in yesterday's preliminary figures from Davy it was not in the p and l account, for all the additional provisions on the USSR Alpha Olefins contract. The performance of UK companies was satisfactory with a particularly good result from Stockton. Pools also improved, but profits were lower from Sheffield and London. Market difficulties continued in the U.S. and profits were lower in spite of another outstanding performance from the Chicago office which services the food and pharmaceutical market. Substantial losses were, however, made by the Lakeland, Cleveland and Boston offices, Mr Benson. Australian activity declined and profits were lower. Manufacturing and service companies contributed slightly less. In mechanical handling, the Herbert Morris South Africa managed to break-even. The performance of the service companies, particularly the foundries and forges had a good year with increased profits from the roll making companies. However, some of the service companies, particularly the foundries and forges, were adversely affected by the miners' strike, although Senelco increased profits.

## UK restructuring pulls Gestetner into loss

Gestetner Holdings has continued to recover but the costs of restructuring in the UK have had a heavy impact on the results for the six months to May 4, 1985, resulting in an attributable loss.

While taxable profits more than doubled from £2.9m to £6.23m, Gestetner set aside £10.15m below the line. This was for the closure of a large part of its Tottenham, London, site and the subsequent transfer of duplicator manufacture to Wellingborough and stencil operations to Strling.

The directors say that expenditure in the first half only amounted to £0.4m but explain that the large write-offs reflect their forecast of the full cost.

Despite this the interim dividend is being held at 0.5p. Basic earnings per share, pre-extraordinary, rose from 0.14p to 4.85p.

Transfer of the Activities of the Compigraphic in-plant busi-

ness in the UK from the Gestetner office automation division of Gestetner to Compigraphic UK was effective from June 1.

The surplus over book amounts is estimated at £0.8m and is also shown in extraordinary. This will release cash in the second half in excess of £1.5m.

There is a further improvement in net borrowings which show a fall of £12.4m arising substantially from the efforts to reduce working capital, the directors state.

This, they say, means that the reduced net borrowings of £33.2m are equivalent in 31 per cent of shareholders funds compared to 37.5 per cent at the end of 1984.

However, it should be noted, they say, that the second half will bear a substantial part of extraordinary expenditure in France and Tottenham.

In France, losses increased pending negotiation of reorgan-

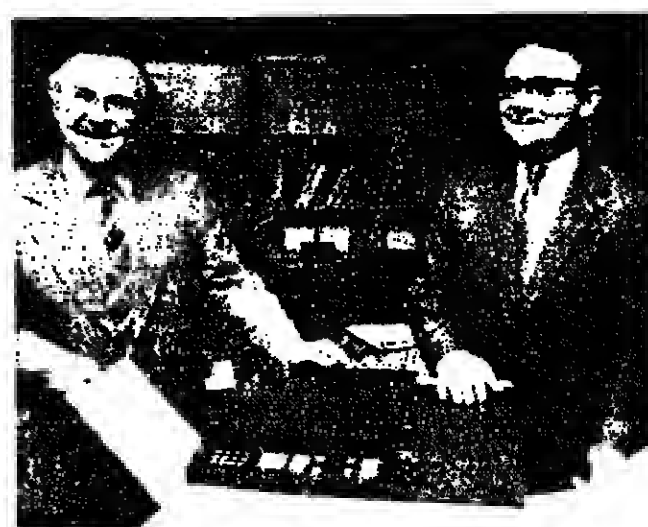
isation plans. However, Gestetner has now received a French Government approval for the implementation of substantial redundancies and branch closures and these are being achieved.

The directors say it is too early to make a firm forecast with regard to second half year results but add an international company such as Gestetner cannot be entirely immune from the effects of a strong pound.

**comment**

It is a measure of how slowly Gestetner Holdings moves that it took more than two years after plunging into loss in 1982 before the company hit the hull and closed most of the Tottenham site. With that decision out of the way, the group's continuing recovery looks that much more soundly based since costs in most parts of the sprawling empire are now close in line with revenues. There is still

work to be done in France, but government approval has been given for the loss of 400 jobs in the 1,800 workforce. Barring accidents, which have been all too frequent at Gestetner in the past, the group is on target for perhaps £11.5m pre-tax this year. The shares are well up with events having climbed from a low of 50p last year they now trade on a multiple of about 15 at 112p (64 per cent tax charge). This rating already discounts further recovery next year so little more can be expected until Gestetner maps out its longer term plans more clearly. The search for the elusive new product to succeed the worthy stencil duplicator is still on and the word is that a distribution deal with a manufacturer of office equipment of some kind might be struck later this year. But it remains to be seen how the Gestetner sales force, reared on selling a pre-eminent patent-protected product, will cope.



Mr Jonathan Gestetner (left), joint chairman and Mr David Gestetner, group managing director and joint chairman. Costs of £10.1m set aside for closure of a large part of the Tottenham site.



## Gold mining companies administered by Anglo American Corporation

All companies are incorporated in the Republic of South Africa

## Orange Free State

Reports of the Directors for the quarter ended June 30 1985

## WESTERN HOLDINGS

Western Holdings Limited  
Registration No. 05 00556 00  
ISSUED CAPITAL: 14,334,276 shares of 50 cents each

Quarter ended June 1985 9 months ended June 1985

Operating results

Area mined—000 278 274 1,129

Yield—oz/ton 2,206 2,228 8,130

Production—oz 622,826 622,826 2,430,000

Costs—oz 158.51 158.51 12.597

Profit before taxation and State's share of profit 1,589 1,505 3,999

Head office expenses—000 0.00 0.00 0.00

Share of profit 0.00 0.00 0.00

Profit after taxation and State's share of profit 1,589 1,505 3,999

Capital expenditure 21,858 23,321 42,699

Dividend—interim 0.00 0.00 0.00

Retained profit for the nine months 14,245 14,245 14,245

Capital expenditure 21,858 23,321 42,699

Dividend—interim 0.00 0.00 0.00

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Capital expenditure 21,858 23,321 42,699

Dividend—interim 0.00 0.00 0.00

## PRESIDENT STEYN—continued

PRICE RECEIVED IN SALES

March 1985 20,198 19,953 19,784

April 1985 21,117 20,872 20,703

May 1985 21,117 20,872 20,703

June 1985 21,117 20,872 20,703

July 1985 21,117 20,872 20,703

August 1985 21,117 20,872 20,703

September 1985 21,117 20,872 20,703

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February 1990 21,117 20,872 20,703

## PRESIDENT BRAND

President Brand Gold Mining Company Limited  
Registration No. 05 32680 00

ISSUED CAPITAL: 14,040,000 units of stock of 50 cents each

Quarter ended June 1985 9 months ended June 1985

Operating results

Area mined—000 143 142 437

Yield—oz/ton 829 829 3,121

Production—oz 119,113 119,113 437,000

Costs—oz 17.30 17.30 12.597

Profit before taxation and State's share of profit 1,589 1,505 3,999

Head office expenses—000 0.00 0.00 0.00

Share of profit 0.00 0.00 0.00

Profit after taxation and State's share of profit 1,589 1,505 3,999

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Dividend—interim 0.00 0.00 0.00

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Capital expenditure 21,858 23,321 42,699

Dividend—interim 0.0



## UK COMPANY NEWS

## ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 17th July 1985, and has issued to the Bank, additional amounts as indicated of each of the following Stocks:

<b>£200 million 11 per cent EXCHEQUER STOCK, 1989</b>	
<b>£200 million 9 per cent EXCHEQUER STOCK, 1988</b>	
<b>£200 million 11½ per cent TREASURY STOCK, 2001-2004</b>	
The price paid by the Bank on issue was in each case the middle market closing price of the relevant Stock on 17th July 1985 as certified by the Government Broker.	
In addition, Her Majesty's Treasury has created on 17th July 1985, and has issued to the National Debt Commissioners for public funds under their management, additional amounts as indicated of each of the following Stocks:	
<b>£200 million 10½ per cent EXCHEQUER STOCK, 1987</b>	
<b>£100 million 9½ per cent EXCHEQUER STOCK, 1986</b>	
In each case, the amount issued on 17th July 1985 represents a further tranche of the relevant Stock, ranking in all respects pari passu with that Stock and subject to the terms and conditions of its prospectus (save as to the particulars therein which related solely to the initial sale of the Stock), and subject also to the provision contained in the final paragraph of this notice, the current provisions for Capital Gains Tax are described below.	
Application has been made to the Council of The Stock Exchange for each further tranche of stock to be admitted to the Official List.	
Copies of the prospectuses for 11 per cent Exchequer Stock, 1989, 9½ per cent Exchequer Stock, 1986 and 11½ per cent Treasury Stock, 2001-2004, dated 3rd August 1984, 3rd February 1984 and 18th May 1979 respectively, may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA. The Stocks are repayable at par, and interest is payable half-yearly, on the dates shown below:	
Stock	Interest payment dates
11 per cent Exchequer Stock, 1989	29th September 1989
9½ per cent Exchequer Stock, 1986	29th September 1986
11½ per cent Treasury Stock, 2001-2004	19th January 1998
	19th January 2001
	19th January 2004
	19th January 2007
	19th January 2010
	19th January 2013
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	19th January 2997
	19th January 3000

The further tranches of 11 per cent Exchequer Stock, 1989 and 11½ per cent Treasury Stock, 2001-2004 will rank for a full six months' interest on the next interest payment date applicable to the relevant Stock. The further tranche of 9½ per cent Exchequer Stock, 1986 has been issued on an extended basis and will not rank for the interest payment due on 19th July 1985 on the existing Stock. Official dealings in the Stocks on The Stock Exchange are expected to commence on Friday, 19th July 1985.

Each of the Stocks referred to in this notice is specified under paragraph 1 of schedule 2 to the Capital Gains Tax Act 1979 as a gilt-edged security (under current legislation exempt from tax on capital gains if held for more than 12 months, and, subject to enactment of the Finance Bill containing the provisions announced on 2nd July 1985, exempt from tax on capital gains on disposals made on or after 2nd July 1985, irrespective of the period for which the Stock is held).

**Government statement**  
Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, these further tranches of stock are issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

Bank of England  
London  
17th July 1985

## Tableware helps lift Crown House to over £6m

BOOSTED BY a strong performance in its tableware division, where exports rose by 19 per cent and profits by 80 per cent, Crown House has achieved an overall improvement in pre-tax profits for the year ended March 31, 1985, from £5.18m to £8.13m.

This profit increase was achieved on turnover down from £177.14m to £166.46m. The directors of this electrical and mechanical engineer and contractor, and tableware manufacturer, say that the static turnover in contracting in the UK reflects the order intake in the 1982 to 1984 period. At end-March, 1985, however, the order book at £112m was at per cent ahead of the position a year earlier.

The directors are recommending an increase in the total dividend to 7p (8.4p) with a final of 4.25p (3.9p). This is covered twice by stated net earnings of 13.9p (13.2p) per share.

Further new patterns are being introduced in the tableware division, together with the silverware products in the George Butler and Cavalier ranges recently acquired, the directors state. They anticipate satisfactory figures overall for 1985-86.

Assuming that overseas losses can be stemmed or eliminated this should have a beneficial effect on the group result. Group net cash after deduction of borrowings, including the term bank loan, amounted to £2.9m at end-March, compared with £7.3m.

**Comment**  
Overseas contracting activities were once among the Crown jewels while the UK side of the business looked distinctly dull. How times have changed: now it is the British side that sparkles while the overseas activities



Mr. Patrick Edge-Partington, chairman of Crown House

have mostly lost their lustre. In South Africa a combination of management problems and the adverse economic and political climate has produced a trading loss running into six figures, and it would not be surprising to see the group pulling out soon. Cut-throat competition in the no longer so oil-rich countries could see Crown retreating on more than one front in the Gulf. Pulling out could prove expensive, but Crown has covered itself generously against this with a £1m provision. Meanwhile UK contracting earnings have moved ahead, not so much from an upturn in the construction industry but from the rise in the value of the order book Crown should have little difficulty in advancing earnings from this division further, but much depends on the extent to which it can stem or eliminate losses overseas. If the problem is alleviated (and the tableware division continues its vigorous growth, £7m could be within easy reach this year. With the tax charge down to 40 per cent and the shares unchanged at 132p the prospective p/e ratio is a modest 7.

## BOARD MEETINGS

FUTURE DATES	
Interim:	
Fleming Fledgling Invest, Ltd.	July 24
GRA	July 25
Official Indicators	Aug 5
M.T.D. (Mangrove)	Aug 6
St. Andrew Trust	Aug 7
Finals:	
Santa (Sudney C.)	Aug 7
Bennett and Fountain	July 23
Black (Peter)	Aug 1
Des Corporation	Aug 5
Formanster	July 26
Hampton Trust	July 23
Macarby Pharmaceuticals	July 30
Neepsend	July 28
Polytechnic Electronics	Sept 13



To the Holders of

## International Income Fund

Short Term 'A' Units  
Distribution Units - in Bearer Form

Short Term 'B' Units  
Distribution Units - in Bearer Form

Midland Bank Trust Corporation (Jersey) Limited as Trustee of the above mentioned Fund has declared the following dividends per Unit for the financial period ended 30th June, 1985, payable on 31st July, 1985 in respect of Units in issue on 30th June, 1985:

Short Term 'A' Units - Distribution Units  
US\$0.0356 per Unit - Payable against Coupon No. 6.

Short Term 'B' Units - Distribution Units  
US\$0.0248 per Unit - Payable against Coupon No. 6.

Unit holders should send their Coupons to either the Trustee at 28/24 Hill Street, St. Helier, Jersey, Channel Islands or to one of the following Paying Agents:

EBG Trust Company (Jersey) Limited, EBG House, 1-3 Seale Street, St. Helier, Jersey, C.I.  
Bankers Trust Company, One Bankers Trust Plaza, New York, N.Y. 10005.  
Banque Générale du Luxembourg S.A., 14 Rue Aldringen, Luxembourg.

Midland Bank Trust Corporation (Jersey) Limited  
Trustee  
Dated 15th July, 1985.



Base Rate

BCC announces that from 19th July 1985 its base rate is changed from 12½% to 12% p.a.

BANK OF CREDIT AND COMMERCE INTERNATIONAL SOCIETE ANONYME LICENSED DEPOSIT TAKER  
100 LEADENHALL STREET, LONDON EC3A 3AD

## S. R. Gent warns of second half setback

A DISAPPOINTING performance by the group as a whole has been announced by S. R. Gent for the second half of the year to end-June 1985.

However, until the accounts and audit are completed the directors of this South Yorkshire-based manufacturer of ladies' and children's clothes, and a principal supplier to Marks & Spencer, say that the final position cannot be determined.

They say that trading conditions in the second half, and particularly in the final quarter, have been very difficult. In the second half last year the group made profits of £3.97m (£3.55m), but the board expects a broadly break-even position this time.



## UK COMPANY NEWS

## FIH £5m purchase will expand printing division

Ferguson Industrial Holdings is expanding its printing and packaging side through a £5m cash acquisition of the Atlas House Company (Wetherfield), a Nottingham-based manufacturer of fabric and adhesive labels predominantly for the major chain stores.

Details of the purchase accompanied FIH's first quarter results showing that gains made by printing and packaging were virtually wiped out by a downturn in building profits and higher interest costs.

Group taxable profits for the three months to end-March 1985 rose by under 3 per cent from £1.58m to £1.62m, not far above

the £1.55m trading result that the printing and packaging side earned alone.

Trading profits from building supplies fell from £429,000 to £255,000 and while manufacturing and the holding company registered gains, interest costs rose more than tenfold to £227,000, against £21,000.

FIH says that most of the 25 per cent increase in printing and packaging stemmed from business with high street stores, and the trend is continuing.

Trading conditions in the building supplies division remain difficult, but expected, although some improvement is anticipated in the second

quarter. Manufacturing achieved a 40 per cent increase to £109,000 but construction added nothing to trading profit. Group turnover rose from £25.24m to £27.58m.

Employees' profit sharing took less at £155,000, against £181,000.

The Atlas purchase, says FIH, will give the existing label companies (mainly based in London) a better geographical spread and a larger base to take advantage of technical innovations and developments in these markets.

A further maximum £1m may be paid for Atlas if its taxable profits exceed £950,000 for the year to end-February 1986. Last year its profits reached £167,000 on turnover of £4.18m.

## Berisfords checked by higher interest

AS EXPECTED the Berisford Group improved on its first half performance over the second six months and for the 1984-85 year as a whole returned pre-tax profits of £729,000 from a turnover of £20.91m.

The previous accounting period covered the 71 weeks to end-March 1984 when turnover amounted to £22.54m and pre-tax profits £1.03m — the group manufactures ribbons, labels, trimmings and embroidery.

On an annualised basis both turnover and profits for the two periods were virtually identical. The directors point out, however, that as shown in the p/1 account the annualised trading profits were usefully higher which, in view of the static turnover, was not unsatisfactory.

They add, nonetheless, that the improvement was offset by a substantially higher interest charge.

A final dividend of 2.73p makes a total of 5.23p net per 25p share, compared with 5.6p for the 71 weeks.

Operating profits for the past year, to March 31, 1985, emerged at £1.41m (£1.59m for 71 weeks) before taking account of interest charges of £677,000 (£568,000).

During the year some divisions, including ribbon and labels, made a considerable advance as a consequence of greater efficiency in containing manufacturing costs while the trimmings division, along with producers in other countries, experienced a material fall in demand.

The trimmings plant in Holland produced a further loss and as a result has been closed.

The directors say that in recent months there have been contractions in the world market for some types of narrow fabrics at a time of advances in productivity for the employment of modern machinery.

They add that it is apparent that Berisfords can take advantage of this as a result of its established market position and recent investments in new plant but point out that there is scope for considerably wider rationalisation of the group's manufacturing facilities.

## Robertson Research surges 49%

Robertson Research yesterday unveiled a 49 per cent increase from £1.81m to £2.7m in 1984-85 taxable profits and expects further growth in the current year.

Most of the rise for the year to March 31, stemmed from growth in service to the oil and gas industry—Robertson provides geological and technical services.

Turnover expanded from £15.78m to £18.98m and the directors say that results for the first quarter of 1985-86 are substantially ahead of the corresponding period. Profits were up from £222,000 to £1.17m pre-tax.

The company is recommending a final dividend of 3p which makes a total of 4.2p for Robertson's first full year as a listed company. A one-for-one scrip issue is also proposed.

The dividend is covered more than three-fold by stated earnings per 10p share of 13.1p, against 10.2p.

Group operating profits expanded to £2.45m (£1.96m) and the taxable result included associate contributions of £112,000 (£54,000) and was struck after interest payable of £64,000 (£202,000).

Net profits emerged at £1.81m (£1.06m) after tax of £1.09m (£723,000). Extraordinary income added £85,000 (£240,000), leaving the attributable balance at £1.89m (£1.36m)—there were minorities last time of £25,000. Dividends will take £597,000 (£38,000).

## Y. J. Lovell advances to £2.5m and lifts interim

WITH THE help of acquisitions the Y. J. Lovell (Holdings) group of builders has produced successful growth in the half year ended March 31 1985. The directors believe that will be maintained and view the prospects for the current year with measured confidence; they are raising the interim dividend from 1.4p to 1.55p net per share.

Including contributions from Essex and Suffolk Properties and Charter Homes, turnover for the six months moved ahead from £85.78m to £101.18m and the pre-tax profit advanced by £350,000 to £2.52m.

Most activities performed reasonably well. Lovell (America) is doing better and a useful profit is expected for the full year, but a return to loss in the timber division has led to the decision to dispose of it.

Reviewing the half year the directors report that the building division did well to match last year's performance, and there are "grounds for believing that the worst could now be behind us." The plant hire company increased sales and hire income and again exceeded its profit expectations.

Residential development, both private and housing partnership sectors, lifted sales and profits, despite a slow start. Good progress is also made on a number of urban redevelopment and sheltered housing schemes.

The industrial and commercial developments division significantly increased its level of activity compared with last year. There will be a contribution in the second half from the leasing and sale of some completed developments, together with a modest rise in rental income.

In timber merchandising, much has been done to restructure the organisation and reduce overheads, but mainly due to trading conditions the business has fallen back into substantial loss. Lovell's continued involvement therein has been reviewed and, as a result, progressive disposal of those interests has been under way since the half year and will be continued until completed.

The directors say that market conditions have improved only marginally, particularly in construction. High interest rates not only dampen demand but also place a heavy burden on costs.

The half year figures take in six months of Essex and Suffolk and three months of Charter Homes.

Principally as a result of the stock relief changes introduced in the 1984 Budget, the provision for tax has been increased from £250,000 to £306,000, which cuts the earnings from 3.25p to 3.11p per share.

YEARLING BONDS totalling £9.75m at 11½ per cent, redeemable on July 23, 1986, have been issued by the following local authorities: Basildon & Deane Borough Council £0.25m; Cheltenham BC £0.5m; East Lindsey District £0.5m; Loutham Regional Council £0.5m; Charnwood & Kilsyth DC £0.25m; Lilw Valley (Borough of) £0.5m; Milton Keynes (Borough of) £0.75m; Ynys Mon Isle of Anglesey BC £0.5m; Dundee (City of) DC £0.5m; Hart DC £0.5m; Kingston-upon-Hull (City of) £0.5m; Aberdeen (City of) DC £0.5m; Bolton Metropolitan BC £1.2m; Tamworth (Borough of) £0.5m.

## Distillers

## PRELIMINARY RESULTS FOR THE YEAR ENDED 31ST MARCH 1985

- ☐ Group profit up 23% before tax
- ☐ Record exports of £473 million
- ☐ Trading profit of £45 million from overseas companies

	1985	1984
	£ million	£ million
TURNOVER	1,274.3	1,134.1
TRADING PROFIT	233.2	181.6
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	236.2	191.6
TAXATION	(102.9)	(63.3)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	133.3	128.3
PROFIT FOR THE YEAR	125.8	118.8
DIVIDENDS		
Interim dividend paid	16.3	16.3
Final dividend proposed	38.1	33.2
	(54.4)	(49.5)
TRANSFER TO DEFERRED TAXATION	-	(60.3)
PROFIT RETAINED	71.4	9.0
EARNINGS PER SHARE	36.71p	35.35p
DIVIDENDS PER SHARE		
Interim dividend paid	4.50p	4.50p
Final dividend proposed	10.50p	9.15p
	15.00p	13.65p

The Distillers Company plc

## BASE LENDING RATES

A.B.N. Bank	12 ½	Hill Samuel	12 ½
Allied Dunbar & Co	12 ½	C. Hoare & Co	12 ½
Allied Irish Bank	12 ½	Hongkong & Shanghai	12 ½
American Express Bk.	12 ½	Johnson Matthey Bkrs.	12 ½
Bank of America	12 ½	Knowles & Co. Ltd.	12 ½
Bank of Australia	12 ½	Lloyds Bank	12 ½
Bank of Canada	12 ½	Edward Manson & Co.	12 ½
Bank of China	12 ½	Mechraj & Sons Ltd.	12 ½
Bank of India	12 ½	Midland Bank	12 ½
Bank of Japan	12 ½	Morgan Grenfell	12 ½
Bank of Korea	12 ½	Mount-Credit Corp. Ltd.	12 ½
Bank of Kuwait	12 ½	National Bk. of Kuwait	12 ½
Bank of London	12 ½	National Girobank	12 ½
Bank of Mauritius	12 ½	National Westminster	12 ½
Bank of Mexico	12 ½	Northern Bank Ltd.	12 ½
Bank of New Zealand	12 ½	Norwich Gen. Trust	12 ½
Bank of Oman	12 ½	People's Trust	12 ½
Bank of Persia	12 ½	PK Finance Int'l. (UK)	12 ½
Bank of Portugal	12 ½	Provincial Trust Ltd.	12 ½
Bank of Romania	12 ½	R. Raphael & Sons	12 ½
Bank of Russia	12 ½	Roxburgh Guarant.	12 ½
Bank of Scotland	12 ½	Royal Bank of Scotland	12 ½
Bank of Spain	12 ½	Royal Trust Co. Canada	12 ½
Bank of Sweden	12 ½	Standard Chartered	12 ½
Bank of Switzerland	12 ½	T.C.B.	12 ½
Bank of Taiwan	12 ½	Trustee Savings Bank	12 ½
Bank of Thailand	12 ½	United Bank of Kuwait	12 ½
Bank of Tonga	12 ½	United Mizrahi Bank	12 ½
Bank of Trinidad	12 ½	Westpac Banking Corp.	12 ½
Bank of Union	12 ½	Whiteaway Laidlaw	12 ½
Bank of Vietnam	12 ½	Williams & Glyn's	12 ½
Bank of Yugoslavia	12 ½	Yorkshire Bank	12 ½
Barclays Bank	12 ½		
Beneficial Trust Ltd.	12 ½		
Brit Bank of Mid. East	12 ½		
Brown Shipley	12 ½		
CL Bank Nederland	12 ½		
Canada Permanent	12 ½		
Cayzer Ltd.	12 ½		
Cedar Holdings	12 ½		
Charterhouse Japhet	12 ½		
Choulatons	12 ½		
Citibank N.A.	12 ½		
Citibank SA	12 ½		
City Merchants Bank	12 ½		
Citizens Bank	12 ½		
Citizens Bank Ltd.	12 ½		
C. E. Coates & Co. Ltd.	12 ½		
Comm. Bk. N. East	12 ½		
Consolidated Credits	12 ½		
Co-operative Bank	12 ½		
The Cyprus Popular Bk.	12 ½		
Duncan Lawrie	12 ½		
E. T. Trust	12 ½		
Exeter Trust Ltd.	12 ½		
First Nat. Fin. Corp.	12 ½		
First Nat. Secs. Ltd.	12 ½		
Robert Fleming & Co.	12 ½		
Robert Fraser & Ptns.	12 ½		
Grindlays Bank	12 ½		
Guinness Mahon	12 ½		
Hambros Bank	12 ½		
Heritable & Gen. Trust	12 ½		

## Standard Chartered

## Notice of Redemption

Standard Chartered Bank Limited

US\$100,000,000

Floating Rate Capital Notes 1990

In accordance with the terms and conditions of the Standard Chartered Bank Limited US\$100,000,000 Floating Rate Capital Notes 1990 ("the Notes"), notice is hereby given that the Notes will be redeemed in full on 19th August, 1985, from which date interest thereon will cease.

The Notes may be presented for redemption at the offices of the Paying Agents (as set out on the reverse of the Notes) in the manner specified in the terms and conditions.

Standard Chartered PLC

(formerly Standard Chartered Bank Limited)

By Principal Paying Agent

European Bank Bank

## "Significant increase in half year results with record profits"

RW Rowland, Chief Executive

Dear Shareholders,

I am pleased to report a significant increase in the half year results to March 1985 with record profits again.

Profit before tax has risen by 33 per cent. to £70.7 million and profit attributable to shareholders at £28.8 million is up by 23 per cent. compared with last year.

In the United Kingdom, the Audi and Volkswagen car distributorship, and manufacturing activities, are performing well. In the current year Lomrho's total sales of new vehicles in the United Kingdom alone will exceed 150,000 units, thereby making us the largest distribution network. The partial closure of Crookfords for re-decoration during the first half of the year affected the overall results of our ten casinos. A new casino in Queensway, London, has been licensed to operate and is being prepared for opening.

Overseas our mining activities have done well in the half year, with gold and platinum being major contributors.

Princess Properties International, which owns six hotels in Mexico, Bermuda, and the Bahamas, together with the Bahamas Princess Casino, is likely to exceed the results of last year.

Agricultural reports are mixed for the half year, with good profits from tea, coffee and wattle, whereas sugar has been affected by a fall in world prices.

In May, Lomrho Finance Plc, a wholly-owned subsidiary, issued U.S.\$40 million 6¼ per cent. Convertible Bonds Due 2000. The Bonds are unconditionally guaranteed by, and convertible into Ordinary Shares of, Lomrho at 165p per share. The fixed rate of exchange for conversion is \$1.2385 to £1 and therefore on full conversion 17.5 million shares would be issued.

## Profit Projection

I am confident that 1985 as a whole will be a highly satisfactory year, particularly as Lomrho traditionally shows an improved second half.

18 July 1985

Yours sincerely,  
RW Rowland

The unaudited results of the Lomrho Group of Companies in respect of the six months ended 31 March 1985 are as follows:—

	6 months to 31 March 1985	6 months to 31 March 1984	Increase
	£m	£m	%
Turnover	1,276.6	1,147.6	11
Profit before tax	70.7	53.0	33
Tax	35.4	25.6	
	35.3	27.4	
Minority interest	6.5	3.9	
Profit attributable to shareholders before extraordinary items	28.8	23.5	23
Earnings per share	10.9p	8.9p	

## Notes:

- The Group's share of the turnover of associates for the six months ended 31 March 1985 was £328.8m (1984—£454.0m) and is excluded from the above.
- Profit before tax includes profits from associates of £16.6m (1984—£24.8m).
- Tax charge: because of the incidence of accelerated capital allowances, the tax charge provided at the half year can only be estimated.
- Extraordinary profits £47.4 million.

## Dividend

The Board has declared a second interim dividend of 4.00p per share (equivalent to 5.7143p per share including the related tax credit) for payment on 1 October 1985 to shareholders on the Register at 30 August 1985, representing an increase of 14.3 per cent. over the second interim dividend of 3.50p paid last year. This dividend is in addition to the first interim dividend of 1.00p (1984—1.00p) per share (equivalent to 1.4286p per share including the related tax credit) declared on 31 January 1985 and paid on 4 April 1985.

LONRHO

LONRHO Plc, CHEAPSIDE HOUSE, 138 CHEAPSIDE, LONDON EC2V 6BL







## FT COMMERCIAL LAW REPORTS

## No shipowner's warranty against ITF intervention

## THE DERBY

Court of Appeal (Lord Justice Kerr, Lord Justice Croom, Johnson and Sir Denys Buckley): July 10 1985

A TIME-CHARTER clause which provided that the vessel shall be "in every way fitted for service" does not in itself import a warranty by the shipowner that the crew's pay and conditions of employment are such that she will be protected against delay due to intervention by the International Transport Workers Federation.

The Court of Appeal so held when dismissing an appeal by Alfred C. Toepfer, charterers of the Derby, from Mr Justice Hobhouse's judgment (1984) 1 Lloyd's Rep 635 reversing an arbitrator's decision that the shipowner was liable for stevedore costs incurred by the charterers during an off-hire period.

Lines 21 to 25 of the New York Produce Exchange (NYPE) form of charterparty provided: "Vessel on her delivery to be ready to receive cargo with clean-swept holds and tight, staunch, strong and in every way fitted for the service, having water ballast, winches and donkey boiler with sufficient steam power, or other power sufficient to run all the winches at the same time, and with full complement of officers, seamen, engineers and firemen for a vessel of her tonnage."

LORD JUSTICE KERR said that the Derby was chartered for 11 to 13 months under a time charter in the NYPE form. Delivery was to be in Singapore in January 1981.

Line 22 of the printed form of the charterparty provided that the vessel on delivery should be ready "and in every way fitted for the service."

After some months of uneventful trading the charterers ordered the vessel to load a cargo of logs at West Africa and to discharge them at Leixoes in Portugal.

She berthed at Leixoes on May 23 1981 and discharged normally until May 28.

Then a representative of the International Transport Workers Federation (ITF) approached the local stevedores and persuaded them to boycott or black the vessel because the crew's rates of pay or other terms of employment did not meet its requirements.

Instead of boycotting the vessel outright, the stevedores decided to attend every day but to do hardly any work. The effect was that the charterers had to pay them throughout the period of delay while the owners were negotiating with the ITF.

Discharge of the vessel was resumed on June 19. Although under the terms of the charter she had been off-hire for all or most of the period of delay, the charterers had had to pay the stevedores charges which were wasted and were not covered by the off-hire clause.

The charterers claimed to recover these costs from the shipowner in arbitration. They asserted that the owners were in breach of the charter because the service had been delayed by ITF intervention.

The arbitrator concluded that the owners were in breach of line 22 "because the ship was not in every way fitted for the service" under the expanded meaning of the phrase assigned to it by English law.

Mr Justice Hobhouse reversed the arbitrator's decision as to liability.

In the present appeal the issue was whether "in every way fitted for the service" in line 22 imported any warranty on the owners' part that the vessel would be protected against risk of delay by ITF intervention by reason of the crew's rates of pay or other conditions of employment, assuming that the charter party contained no other provision which threw any light on the parties' intention in that regard.

The ITF operated in different parts of the world with the avowed objective of compelling shipowners to adopt pay and conditions of employment in conformity with levels which it regarded as acceptable.

Its standards were generally in line with the rates of pay

and conditions applicable to agreements negotiated with seamen's trade unions in "Western" countries.

Vessels which had attracted the attention of the ITF on a previous occasion, with results satisfactory to the ITF, were issued with a "blue card" or "blue certificate" as a kind of ITF pass. But many of most vessels trading throughout the world would never have had occasion to come into contact with the ITF and no question would arise of their carrying a "blue card."

Mr Justice Hobhouse rightly rejected the arbitrator's construction of line 22.

The contract which "in every way fitted for the service" occurred showed that the words related primarily to the physical state of the vessel.

However, the authorities showed that their scope was wider in at least two respects.

First, in *Hong Kong Fir Shipping Co Ltd v. The M. S. Aquagem* [1962] 1 Q.B. 26, the charterparty provided that the vessel was to be "in every way fitted for ordinary cargo service" in the Baltimore form of time charter was treated as forming part of an express warranty that the vessel was seaworthy. It was held that that warranty required the provision of a sufficient and competent crew.

The same reasoning applied to "in every way fitted for the service" in the present case. To that extent therefore the words went beyond the purely physical state of the vessel.

However, there was no basis for any further enlargement of the scope of the words by extracting from them a warranty that rates of pay and conditions of employment must comply with the requirements of a self-appointed extra-judicial organisation such as the ITF, the words could not properly bear that meaning.

The second respect in which the scope of the words in line 22 went beyond the physical state of the vessel was that they had been held to cover the requirement that a vessel must carry certain documents which bore upon her seaworthiness or fitness to perform the service for which the charter provided. The purpose of those documents was to provide evidence for the authorities at the vessel's ports of call on matters

which would otherwise require some physical inspection of the vessel and possibly remedial measures such as fumigation, before the vessel would be accepted as seaworthy.

There was no basis for holding that such certificates could properly be held to include documents other than those which might be required by the law of the vessel's flag or by the law, regulations and administrative practices at the vessel's port of call.

An ITF "blue card" did not fall within that category and there was therefore no reason for including it within the scope of the words in line 22. The words had not acquired any "expanded meaning" as the arbitrator suggested.

Mr Kealey, for the owners, relied on the *Aquagem* [1962] 1 W.L.R. 119 where, as a result of overloading, a vessel was delayed because she had to be lightened. One of the issues was whether in those circumstances she had been "seaworthy" under the Hague Rules when she left her port of loading. It was held that she was.

The decision militated against Mr Kealey's submission, for provision of a sufficient and competent crew, that any foreseeable delay due to any reason relating to the vessel and her crew had the effect of rendering the vessel unseaworthy and imported a breach of line 22.

The *Nema* [1982] A.C. 724 stressed the undesirability of interfering with awards made by commercial arbitrators pursuant to the Arbitration Act 1979.

Before the court could properly reverse such an award it must be shown that either (i) the arbitrator had misdirected himself in law or (ii) that no reasonable arbitrator could have reached such a decision.

The arbitrator in the present case misdirected himself in law. The appeal should be dismissed.

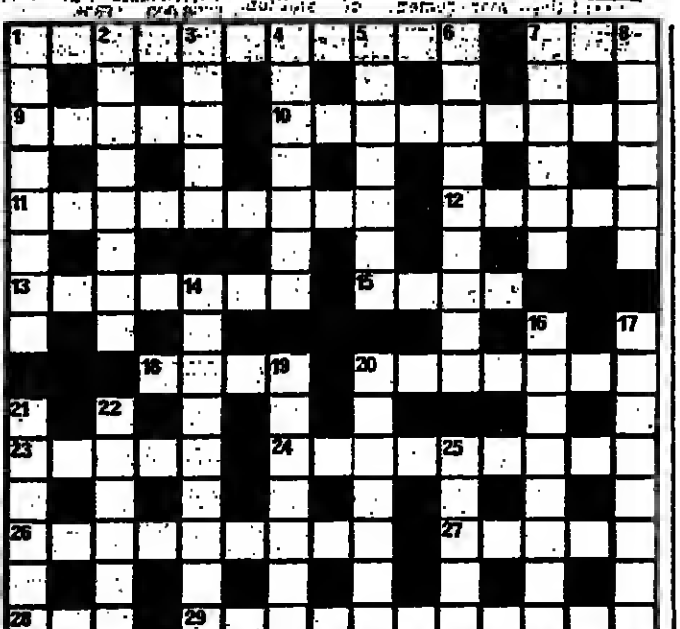
LORD JUSTICE CROOM (JOHNSON and Sir Denys Buckley agreed).

For the charterers: Jonathan Gaisman (Middleton Potts and Co.).

For the owners: Gavin Kealey (Hill Dickinson and Co.).

By Rachel Davies  
Barrister

## F.T. CROSSWORD PUZZLE No. 5773



## ACROSS

- The old physician's large animal enclosures (11)
- Outfit set right with private backing (3)
- Wash a little sweater in several changes of water (5)
- Expected to be sought out (6,3)
- Account for testament being altered (9)
- Each Morn a thousand... brings, you say, Omar Khayyam (5)
- Obscure egghead cuts another (7)
- Look both ways (4)
- Beat hundreds—odd, that (5)
- Regulations in the East covering a certain drug (7)
- Pick a colour (5)
- A hand leader well used to yielding the bow (5,4)
- Taking care no nun appears regularly on TV (9)
- Grouse mature after the end of spring (3)
- English soldiers joined up before (3)
- Considered a child's holding fine nevertheless (4,7)

## DOWN

- Distressed as a herd's broken up (8)
- Tip pounds into a small vessel (8)
- The overweight need direction on personal decoration (5)
- Help for the magistrates about 51 (7)
- Wet spot having been dealt with, dance (3,4)
- Those in front rushed to bag a bird (9)
- Don't agree to amalgamate again (6)
- Some poor beggar is hecoted for glaring (6)
- Average lot, yet outstanding (9)
- Going round with a Greek character and indicating a preference for it (8)
- Capital support for the traveller (4,4)
- Country doctor, a fabulous old bird, joining the company (7)
- The accountant advocates French and that's for show (7)
- Fiddle, causing embarrassment (6)
- A get-together that should raise the spirits (6)
- One broadcast is to be about the late king, a dark man (5)

Solution to Puzzle No. 5772



## NOTICE OF REDEMPTION

To The Holders of  
**The Nippon Credit Bank  
(Curacao) Finance, N.V.**  
U.S. \$50,000,000 Guaranteed Floating Rate Notes  
due 1990

NOTICE IS HEREBY GIVEN to the holders of the outstanding Guaranteed Floating Rate Notes due 1990 of The Nippon Credit Bank (Curacao) Finance, N.V. (the "Notes") and of the unmatured coupon appertaining thereto that, pursuant to the provisions of the Fiscal and Paying Agency Agreement dated as of February 2, 1982, among The Nippon Credit Bank (Curacao) Finance, N.V., The Nippon Credit Bank, Ltd., and J. Henry Schroder Bank & Trust Company (the "Fiscal Agent") and the terms and conditions of the Notes, The Nippon Credit Bank (Curacao) Finance, N.V. intends to redeem and does hereby call the Notes for redemption on August 12, 1985 (the "Redemption Date") at a redemption price of 100% of the principal amount thereof. The respective Holders of the said Notes are hereby called upon to surrender the same on such redemption date with all the unmatured coupons attached at the office of the Fiscal Agent or such other offices of the Paying Agents listed below.

Offices of Paying Agents

J. Henry Schroder Bank & Trust Company  
One State Street  
New York, New York 10015  
Attn: Corporate Trust Department

Westminster Landbank  
Chancery Lane  
London EC2A 4EX

Kreditbank S.A.  
Rue de la Loi 10  
4000 Luxembourg  
Luxembourg

Swiss Bank Corporation  
Bahnhofstrasse 45  
8001 Zurich  
Zurich

Morgan Guaranty Trust Co.  
of New York  
100 Broadway  
New York, New York 10038

Comptoir d'Escompte de Paris  
12 Boulevard des Capucines  
75001 Paris  
Paris

Credit Suisse S.A.  
Rue de la Loi 10  
1201 Geneva  
Geneve

The Development Bank of Singapore Limited  
80 Raffles Place  
Singapore 1

Amerind-Bank Nederland N.V.  
Postbus 100  
1000 AA Amsterdam  
Amsterdam, The Netherlands

Banco di Roma  
Piazza Venezia 151  
00187 Roma  
Roma

The Nippon Credit Bank (Curacao) Finance, N.V.  
By J. Henry Schroder Bank & Trust Company,  
as Fiscal Agent

Dated: July 19, 1985

Under the Interest and Dividend Tax Compliance Act of 1983, we may be required to withhold 30% of any gross payments made within the United States to certain holders who fail to provide us with, and certify under penalties of perjury, a correct taxpayer identifying number (employer identification number or social security number, as appropriate) or an exemption certificate on or before the date the securities are presented for payment. Those holders who are required to provide their correct taxpayer identifying number on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty of \$50. Please therefore provide the appropriate certification when presenting your securities for payment.

## FT UNIT TRUST INFORMATION SERVICE

## AUTHORISED UNIT TRUSTS

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## Property Growth Assoc. Co., Ltd.

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INSURANCE, OVERSEAS & MONEY FUNDS

<b>Scottish Life Investments</b> 19 St Andrew Square, Edinburgh UK Equity US Equity International Fixed Interest Property Cash Money Pensions Life Insurance Other Total	001-225 2211	<b>Sun Life Unit Assurance Ltd.</b> 30 St James Street, London EC9 7JL UK Equity US Equity International Fixed Interest Property Cash Money Pensions Life Insurance Other Total	0072 42911
<b>Scottish Widows' Group</b> PO Box 100, Edinburgh EH3 5JH UK Equity US Equity International Fixed Interest Property Cash Money Pensions Life Insurance Other Total	001-455 6000	<b>Teachers' Assurance Company Ltd.</b> 12 Clarendon Road, Weybridge, Surrey UK Equity US Equity International Fixed Interest Property Cash Money Pensions Life Insurance Other Total	0020 29111
<b>Shoahat Life Assurance Co. Ltd.</b> Friedberg, Hohenlohe, Germany UK Equity US Equity International Fixed Interest Property Cash Money Pensions Life Insurance Other Total	00705 39441	<b>Teachers' Assurance Company Ltd.</b> 12 Clarendon Road, Weybridge, Surrey UK Equity US Equity International Fixed Interest Property Cash Money Pensions Life Insurance Other Total	0020 29111
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OFFSHORE AND OVERSEAS

OPTIONS

3-month call rates



## COMMODITIES AND AGRICULTURE

## Tough talking ahead on coffee pact

Andrew Gowers looks at the issues facing the International Coffee Organisation at next week's London meeting

AN OMINOUS number of storm clouds are gathering over the coffee world as producers and consuming countries prepare for a series of crucial meetings between now and the end of September.

Next Monday the 16 members of the International Coffee Organisation's executive board will hold their regular quarterly meeting in London. It looks like being more than a routine session, for several reasons.

The most immediate worry concerns the price of coffee. Producers have been watching with increasing concern over the last few weeks as prices have steadily drifted downwards.

The drop has already triggered two im-bag cuts in the International Coffee Agreement's effective 1984/85 total of export quotas, which now stands at 59m bags a result. But these appear to have had little more than a passing impact on the price slide.

The ICO's 15-day moving price is now around 125 cents a pound, perilously close to the 120-cent level which should spark a further quota reduction of 1m bags. Barring possible upsets, such as a frost in Brazil's key coffee producing regions, that cut is only weeks — possibly days — away.

The dilemma facing the producers is: what to do if the price continues to drop below 120 cents. Argument on that question is almost certain to arise next week, and may stir up a whole host of other perennial disputes over the general level of coffee prices and supplies.

The present problem has its roots in the 1983-84 coffee year, when prices soared partly as a

result of the small size and poor quality of the Brazilian crop — traditionally responsible for 30 per cent of all world coffee exports.

Consumers maintain that their problems in obtaining adequate supplies of good quality coffee were exacerbated by the tight level of export quotas in that year. The total quota was 56m bags, almost exactly the level of demand.

After that experience, consumers were particularly keen, when they set out to negotiate on quota levels for 1984-85 last September, to leave enough leeway to limit the damage from accidents like the previous year's.

"They really wanted to revenge themselves for what happened in 1983-84," said a senior Brazilian diplomat.

The result was an effective quota of 61m bags this year, well in excess of consumption. This is clearly one reason for the recent slide in prices.

If producers wish to prop up prices around 130 cents a pound, the middle of the ICO price range, once the potential danger period for Brazilian frosts is over in August, their only real option is to try to get the Board to agree to a further quota cut. Under the rules of the coffee agreement, only two automatic cuts are allowed in a quarter unless the Board decides otherwise.

However, the idea of implementing an "emergency" reduction is not without its problems. For one thing, despite the slide some consumers — in particular the Europeans, who have to bear the brunt of the strong dollar — are still marmouring the price of coffee is artificially high given the imbalance between supply and demand.

"For producers, 120 cents a pound is a disaster. But they tend to forget that they have enjoyed a period of very high prices, especially in terms of their own national currencies," said a Western diplomat yesterday.

But in any case, a further export reduction may be extremely difficult to implement at this point in the season.

Perhaps a more serious threat to the agreement in the longer term is the continuing set of disputes over exports of coffee to non-member countries of the International Coffee Organisation.

These focus on the price at which those sales are made and the fact that not all the exports find their way to or stay in non-member countries in the end.

A number of the heaviest sellers to non-member countries — in particular, Indonesia and the Central American countries — are known to do so at discounts of up to 50 per cent despite repeated reminders that this is against ICA rules.

The practice has continued in the face of increasing insistence both from more law-abiding producers and from Western consumers who are exasperated by seeing countries like the Soviet Union buying coffee at half or two thirds the price they themselves have to pay.

At its last meeting in London, the ICO's governing council resolved that this form of selling should cease from April 22. The net effect of that decision was an apparent frantic rush of cut-price sales in the few days before it took effect. Some countries are believed to have sold almost their entire remaining crop in this way.

Next week's Board meeting will be considering whether to penalise countries which continue to flout the rules with a cut in their quota. A final decision will probably have to wait until September, however, and Indonesia, the biggest offender, has already proclaimed that it has no intention of toeing the line.

The destination of coffee sales to non-members is just as intractable a problem. Following the introduction of a rule in 1983 requiring proof that such exports actually went to the countries in question, the ICO has calculated that some 3m bags of coffee destined for non-member countries have simply disappeared.

There are several ways of looking at this coffee. Brazil, for example, argues that much of it is simply sitting in mainly European freeports waiting to be sold, and adding to an already large overhang of stocks. For the Brazilians, this becomes merely another argument for the eventual reduction of quotas.

Some consumers, however, believe that a substantial portion of it never gets to non-members at all, but trickles from ports like Hamburg, Rotterdam and Trieste back into member markets — making a small fortune for German, Dutch and Italian traders on the way.

Sanction for this practice are also on the cards, but given opposition by the governments of Germany, the Netherlands and Italy as well as those of the big exporters to non-members, it may be difficult to implement.

But these disputes are probably trivial compared with the royal row which is certain to develop at the Board and Council meetings in London next September over the size of the 1985/86 export quota and its allocation between producing members.

Several producers are pushing increasingly hard for higher quotas, and the key producer, Brazil, is insisting on the need for more discipline in the face of a weakening market. Some consumers, meanwhile, are becoming increasingly jaundiced with the coffee agreement.

The U.S., for one, has for the second time threatened to "reassess its position" on the agreement this year unless the producers put their house in order.

## U.S. farm support body runs out of cash

By Nancy Dunne

BUSINESS HAS come to a halt at the Community Credit Corporation, which makes loans and price support payments to U.S. farmers.

The U.S. Department of Agriculture said it has been a particularly tense six months and the CCC has exhausted its \$25bn borrowing authority. This year, thus far, it has mailed out \$17bn in checks for programmes which include 1984 grain subsidies and early 1985 payments for farmers enrolled in the department's acreage reduction scheme.

Until Congress passes legislation granting supplementary budget authority of about \$3.9bn, the CCC can make no crop insurance payments or loans or buy up surplus dairy products to maintain the dairy support programme, the department said.

Bills granting the CCC the money it needs have passed both houses, but they must still receive conference committee approval. A conference committee meeting has not yet been scheduled.

THE PHILIPPINES may increase sugar output beyond the 1.6m tonne production ceiling set in May in order to produce ethanol, according to Mr Roberto Oligan, the Trade and Industry Minister.

The domestic ethanol would replace tetra ethyl lead, a chemical additive used in petrol, which the Philippines now imports at an annual cost of 10m pesos (\$3.6m), he said. Exporters would also be encouraged to extend the present pact for another year.

Mr Oligan said the government plans to set up 20 to 25 distilleries to process sugar cane into ethanol at an estimated cost of \$150m.

ZIMBABWE's sugar exports topped 50,000 tonnes in the first quarter of this year from just over 8,500 in the same period of last year, statistics published by the International Sugar Organisation (ISO) show.

Net exports came after imports of 7,500 tonnes from Malawi in the three month period.

## Vegetable oil trade shrugs off Brazilian soya export 'stunt'

By John Buckley

EUROPEAN VEGETABLE oil traders are playing down Wednesday's Brazilian decision to halt soya export registrations, describing it as a "stunt" to shore up prices. Dutch soya bean oil, the European benchmark, was offered quietly yesterday around 118-122 per 100 kilograms, much in line with levels ruling earlier in the week.

Merchants say there is nothing to stop Brazilian dealers continuing to fix soya export deals assuming licences will be resumed in the near future. Consumers, many of whom are well covered, have understandably backed off and are only "slightly surprised" at what they see as another attempt to coerce them into paying more.

The Philippines, the world's largest coconut oil supplier, appeared to be trying a similar manoeuvre last week when it was reported to be blocking export registrations to the U.S., its main customer, at prices

under 23 cents a pound. Anxious dealers switched to palm kernel oil, driving that market from \$455 to \$505 only to find the U.S. contracts honoured and the price dropping back to the \$470s.

Thus many traders feel the Brazilians are simply trying to get the best deal they can for their soya they have left to sell (registrations are approaching target) before the full impact of large world vegetable oil crops breaks over the market from August-September onwards.

In response to this scenario some big importers are already flexing their muscles. Pakistan for example yesterday bought Indonesian palm oil at under \$450 per tonne much to the annoyance of the Malaysians who had cut their official FOB quotations by \$20-30 to \$455.

As the U.S. and EEC oilseed crops will now provide an increasing focus for sentiment many traders say this Far Eastern tug of war will ultimately decide price direction.

## Soviet Union takes hard line on cocoa agreement

By Our Commodities Staff

PRODUCERS AND consumers of cocoa were last night involved in an elaborate game of shadow-boxing over negotiations on a new International Cocoa Agreement and the possibility of extending the present pact for another year.

As a meeting of the International Cocoa Organisation's governing council in London neared its end, some consumer delegates cast doubt on the prospects for a new full round of talks to set up a new agreement.

And delegates were finding it difficult even to agree on an extension of the present pact, which is due to expire in September.

Consumer delegates pressed producers to agree a statement effectively linking the extension

of the current pact, which has no power to intervene in the market, with a recognition that prices in any effective new agreement would have to be substantially lower than the current range of 106 to 146 cents a pound.

The last round of talks on a new pact broke down in Geneva in March amid continuing differences between producers and consumers over price and other issues.

One surprise of this month's meeting has been the particularly hard line taken by the Soviet Union. Moscow has been seeking arrangements for the refund of its contribution to the ICCO in the event that the buffer stock were liquidated, and threatened not to agree to an extension.

## China aims to quadruple feed output

PEKING—China plans to raise animal feed production capacity to 50m tonnes by 1990 and 120m tonnes by the year 2000, the New China News Agency said yesterday.

The agency said 12m tonnes of mixed and compound animal feed were produced last year, up from 8m in 1983.

The agency said China will invest about 1.5 billion (\$380m) in the animal feed industry in the five-year plan period 1986-1990. Plans include the building of between 30 and 40 plants

for the processing of concentrated feed and additives.

A Confidential World Bank report on China said shortages of the coarse grains needed for animal feeds could occur with expected rapid growth in China's animal numbers and the increasing production of specific crops.

"Feed grain imports could make up any conceivable shortages, probably without any appreciable increase in world prices," the report said. Reuters

processing enterprises with foreign firms.

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"Feed grain imports could make up any conceivable shortages, probably without any appreciable increase in world prices," the report said. Reuters

## Jamaican bauxite yield cut

By Canute James in Kingston

JAMAICA'S BAUXITE output in the first half of this year was 41 per cent below the target set by the 1984, according to the Jamaica Bauxite Institute, a government agency which monitors the industry.

The institute reported mining over the six month period yielded 3,105m tonnes of ore. It said the fall reflected the closure of mining and shipping

operations last year by a subsidiary of the Reynolds Metals Company of the U.S., and an end to shipments purchased by the U.S. Government for its strategic mineral stockpile.

Exports of alumina (refined bauxite) fell by 14 per cent, a decline attributed by the institute to the closure in February of an 800,000 tonne refinery owned by the Aluminum Company of America.

## LONDON MARKETS

A WAVE of speculative and trade selling pushed coffee prices sharply lower on the London futures market yesterday and the September position ended the day \$54.50 down at \$174.50 a tonne, slightly up from a 25-month low reached during the day.

There were reports of some selling of physical coffee by producers who had been holding off the market in the hope of a price recovery following the recent slide.

On the London Metal Exchange zinc prices rose after the rally which was interrupted on Wednesday. The cash position ended \$15.50 higher at \$543 a tonne, \$29.50 up on the week so far.

The LME was generally quiet with the fall in sterling and early gains in aluminium being erased by later profit-taking.

## ALUMINIUM

(Unofficial + or - High/Low) (p.m.) (p.m.) (p.m.)

Cash 74.5 +0.75 174.50  
3 months 74.5 +0.75 174.50

Official closing (ar): Cash 73.5-75.5 (74.5), three months 73.5-75.5 (74.5), settlement 73.5-75.5 (74.5). Final Cash close: 75.4. Turnover 16,125 tonnes.

## COPPER

(Unofficial + or - High/Low) (p.m.) (p.m.) (p.m.)

Cash 106.1-106.5 +0.5 106.5  
3 months 106.1-106.5 +0.5 106.5

Official closing (ar): Cash 106.5-107.5 (107.0), three months 106.5-107.5 (107.0), settlement 106.5-107.5 (107.0). Final Cash close: 106.5. Turnover 14,626 tonnes. U.S. Producer prices 60.00-70.50 cents per pound.

## LEAD

(Unofficial + or - High/Low) (p.m.) (p.m.) (p.m.)

Cash 89.5 +0.5 89.5  
3 months 89.5 +0.5 89.5

Official closing (ar): Cash 89.5-90.5 (90.0), three months 89.5-90.5 (90.0), settlement 89.5-90.5 (90.0). Final Cash close: 89.5. Turnover 714 tonnes.

## NICKEL

(Unofficial + or - High/Low) (p.m.) (p.m.) (p.m.)

Cash 550.0-550.5 +0.5 550.5  
3 months 550.0-550.5 +0.5 550.5

Official closing (ar): Cash 550.0-550.5 (550.5), three months 550.0-550.5 (550.5), settlement 550.0-550.5 (550.5). Final Cash close: 550.0. Turnover 8,525 tonnes. U.S. Prime Western: 81.25-82.25.

## ZINC

(Unofficial + or - High/Low) (p.m.) (p.m.) (p.m.)

Cash 641.5 +0.5 641.5  
3 months 641.5 +0.5 641.5

## MAIN PRICE CHANGES

In tonnes unless otherwise stated.

July 18 + or - Month 1985 = ago July 18 + or - Month 1985 = ago

Aluminium 12100 +1100 12100  
Free mix 10800 +80 10800/9900

Cash 106.1-106.5 +0.5 106.5  
3 months 106.1-106.5 +0.5 106.5

Official closing (ar): Cash 106.5-107.5 (107.0), three months 106.5-107.5 (107.0), settlement 106.5-107.5 (107.0). Final Cash close: 106.5. Turnover 14,626 tonnes. U.S. Producer prices 60.00-70.50 cents per pound.

Official closing (ar): Cash 106.5-107.5 (107.0), three months 106.5-107.5 (107.0), settlement 106.5-107.5 (107.0). Final Cash close: 106.5. Turnover 14,626 tonnes. U.S. Producer prices 60.00-70.50 cents per pound.

Official closing (ar): Cash 106.5-107.5 (107.0), three months 106.5-107.5 (107.0), settlement 106.5-107.5 (107.0). Final Cash close: 106.5. Turnover 14,626 tonnes. U.S. Producer prices 60.00-70.50 cents per pound.

Official closing (ar): Cash 106.5-107.5 (107.0), three months 106.5-107.5 (107.0), settlement 106.5-107.5 (107.0). Final Cash close: 106.5. Turnover 14,626 tonnes. U.S. Producer prices 60.00-70.50 cents per pound.

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## INDICES

FINANCIAL TIMES

July 18 1985 1984 1983 1982 1981 1980 1979 1978 1977 1976 1975 1974 1973 1972 1971 1970 1969 1968 1967 1966 1965 1964 1963 1962 1961 1960 1959 1958 1957 1956 1955 1954 1953 1952 1951 1950 1949 1948 1947 1946 1945 1944 1943 1942 1941 1940 1939 1938 1937 1936 1935 1934 1933 1932 1931 1930 1929 1928 1927 1926 1925 1924 1923 1922 1921 1920 1919 1918 1917 1916 1915 1914 1913 1912 1911 1910 1909 1908 1907 1906 1905 1904 1903 1902 1901 1900 1899 1898 1897 1896 1895 1894 1893 1892 1891 1890 1889 1888 1887 1886 1885 1884 1883 1882 1881 1880 1879 1878 1877 1876 1875 1874 1873 1872 1871 1870 1869 1868 1867 1866 1865 1864 1863 1862 1861 1860 1859 1858 1857 1856 1855 1854 1853 1852 1851 1850 1849 1848 1847 1846 1845 1844 1843 1842 1841 1840 1839 1838 1837 1836 1835 1834 1833 1832 1831 1830 1829 1828 1827 1826 1825 1824 1823 1822 1821 1820 1819 1818 1817 1816 1815 1814 1813 1812 1811 1810 1809 1808 1807 1806 1805 1804 1803 1802 1801 1800 1799 1798 1797 1796 1795 1794 1793 1792 1791 1790 1789 1788 1787 1786 1785 1784 1783 1782 1781 1780 1779 1778 1777 1776 1775 1774 1773 1772 1771 1770 1769 1768 1767 1766 1765 1764 1763 1762 1761 1760 1759 1758 1757 1756 1755 1754 1753 1752 1751 1750 1749 1748 1747 1746 1745 1744 1743 1742 1741 1740 1739 1738 1737 1736 1735 1734 1733 1732 1731 1730 1729 1728 1727 1726 1725 1724 1723 1722 1721 1720 1719 1718 1717 1716 1715 1714 1713 1712 1711 1710 1709 1708 1707 1706











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# Currency movements cause first setback in gilts

	JUL	AUG	SEP	OCT	JUL	AUG	SEP	OCT
Imperial Op. ('167)	180	16	22	38	4	9	40	
	180	2	19	19	18	19	22	
	220	2	21	10	34	34	36	
	220	1	21	10	54	94		







## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

**Continued on Page 39**



**Continued on Page 32**

**WORLD VALUE OF THE POUND** every Tuesday in the Financial Times



# FINANCIAL TIMES

## WORLD STOCK MARKETS

### WALL STREET

## Bull run encounters obstacles

THE ONWARD rush of Wall Street's week-long bull market encountered its first check yesterday when the Commerce Department substantially lowered its estimate on economic growth and the proposals for curbing the federal budget deficit remained bogged down in the Senate, writes Terry Byland in New York.

The bond market, which had successfully anticipated the revised GNP estimates, fell sharply as Mr Paul Volcker, the Federal Reserve chairman, continued his address to the Senate Banking Sub-committee.

In the stock market, blue chips rallied from early falls helped by a buying programme from a leading brokerage house. But termination of the programme left prices unsupported and a downward drift set in.

By 3pm the Dow Jones industrial average was down 1.56 at 1,358.41.

The implications of the downgrading of GNP estimates to 1.7 per cent growth, from the 3.1 per cent of the earlier "flash" figure, was counterbalanced by corporate results which have been better than predicted. But some credit market analysts now believe that weakness in the dollar could prevent the Fed from easing credit policy, even if the economy continued to falter.

Auto stocks made little response to

Chrysler's profit figures. At \$35%, stock in Chrysler was unchanged in slack trading, while General Motors at \$68%, eased 5%. Ford at \$43% showed a similar fall, after the chairman had commented optimistically on the sales outlook for the industry.

Dow Chemical opened the reporting season for the industry, easing 5% to \$36% on lacklustre profits for the second quarter. The main talking point was Monsanto's plan to merge with G. D. Searle. After brief suspensions, Monsanto stock returned to trade \$2% higher at \$47%, with Searle unchanged at \$59%.

In the steel sector, Inland Steel added 5% to \$25 on its profits statement. The sector was generally firm, with the leaders recommended by analysts as cyclical stocks likely to benefit if the recovery rebounds.

Results from the tobacco industry struck few sparks. Both R. J. Reynolds, 5% off at \$29%, and Philip Morris, 5% down at \$85, disclosed higher profits.

Other consumer-oriented issues reporting progress were headed by Coca-Cola, 5% lower at \$73%, Maytag 5% up at \$56, both on results.

Merck, the leading pharmaceutical group, eased 5% to \$116%, holding all the substantial gain of the past two months. Pfizer eased 5% to \$52% but Upjohn, again responding to optimism regarding its anti-baldness drug, jumped 2% to \$119%.

In computer stocks, IBM was 5% off at \$129% as Honeywell, lost 5% at \$64%, and Control Data eased 5% at \$16%.

Profit figures from Apple Computer, 5% down at \$17%, and Coleco Industries, 5% off at \$16%, contained no surprises.

But there was renewed demand for Digital Equipment, 5% up at \$101% and for Burroughs, 5% firmer at \$81%. Sperry added 5% to \$51% as the chairman told the annual meeting that the compa-

ny will pay "close attention" to possible merger plans.

Further heavy trading in Phillips Petroleum left the stock 5% better at \$11%. More than 6m Phillips shares traded, bringing suggestions that Mr Carl Icahn was selling out.

Stock in Crown Zellerbach was active again, easing 5% to \$41% as the market awaited the next move in Sir James Goldsmith's dispute with the rest of the board.

Other stocks responding to company news included American Broadcasting, unchanged at \$113%, Union Pacific 5% off at \$51%, Georgia Pacific 5% firmer at \$24%, Dataproducts 5% down at \$12%, and Bausch & Lomb 5% easier at \$35%.

In the financial sector, BankAmerica eased 5% to \$17% in heavy trading as Wall Street continued its response to the news of a huge quarterly loss. Other banking issues looked irregular.

Marsh & McLennan, the insurance group, dipped 5% to \$74% after the quarterly results but were only lightly traded.

In the credit markets, federal funds remained relatively high, touching 8 per cent at one time. Money market rates rose strongly, with three month Treasury Bills 16 basis points up. Bond prices suffered early falls while traders kept a close watch on Mr Paul Volcker's comments for any hint on the dollar, inflation prospects and the outlook for the economy.

### AUSTRALIA

## Enthusiastic mingling at peak levels

PROFIT-TAKERS mingled with enthusiastic buyers in Sydney yesterday as Wall Street's overnight record inspired a further dash to Australian peaks. The All-Ordinaries index secured a further 9.5 point gain to another all-time high of 922.3.

Turnover moved ahead to 98.1m shares against Wednesday's 95.2m but Laurel Bay, which picked up 1 cent to 23 cents, had a 20m block of its shares traded.

Miners initiated the advance but eased near the close. BHP retreated 2 cents to \$56.84 although CSR firmed 2 cents to \$53.08 after an early rise of 6 cents. Bownville sparked with a 10-cent rise to \$52.03.

The gold sector witnessed a 28-cent rally in Central Norseman to \$58.17 as Kidston sprinted 20 cents ahead to \$54.40.

On the takeover front, Myer Emporium added a further 7 cents to \$53.12. G. J. Coles dipped 3 cents to \$53.95 and Woolworth gained 3 cents to \$53.35. Castlemaine Toobies held steady at \$57.30 while Wormald was unchanged at \$53.91.

Banks benefited from the general upturn with 8-cent gains for ANZ at \$55.24 and National at \$54.70. Westpac managed a 9-cent advance to \$54.80, a new high for the year.

### LONDON

THE GOVERNMENT securities market in London yesterday suffered its first setback in three weeks. Although relatively small, the fall was linked directly with sombre U.S. economic data and the threat of a firmer pound. Declines of up to 1% were recorded by the close among long although shorts proved more resilient.

Equities were more subdued and sentiment swayed with currency movements. The FT Ordinary index moved over a 4-point range but closed a net 0.6 lower at 932.6.

Among leading actives, stores group Dixons added a further 15p to 73p while Debenhams, in the middle of its takeover defence, shed another 6p to 314p. BP was actively sold 7p lower to 515p while Plessey in electronics shed some of the previous session's strength with a 4p fall to 142p.

Chief price changes, Page 37; Details, Page 36; Share information service, Pages 34-35.

### SINGAPORE

RENEWED short-covering combined with further conflicting rumours of possible tax cuts to buoy sentiment in Singapore. The Straits Times industrial index scored a 8.71 rise to 736.28, its largest single day rise in two months.

Malayan Banking featured as the most active stock but finished unchanged at \$55.50. Johan Holdings continued active with a 4-cent rally to 80 cents, while Pan Electric was also actively sought but closed steady at \$52.10. Elsewhere, Fraser & Neave picked up 14 cents to \$55.10 and G.I. Holdings settled 18 cents higher at \$52.04. Ten-cent gains were achieved by Genting at \$55.65, New Straits Times at \$58.90 and Hong Leong Industries at \$51.88.

### SOUTH AFRICA

THE RETREAT by the bullion price dampened Johannesburg gold shares and generated a broadly mixed session. Buffels suffered a R2 fall to R69 while Free State Geduld slipped 50 cents to R49.50. The weakness surfaced in other miners with Rustenburg Platinum 20 cents off at R17.60, although diamond leader De Beers moved against the trend with a 15-cent rise to R10.55. Mining financials and industrials were mixed with Barlow Rand 5 cents down at R12.70.

### EUROPE

## Rate hope injects new life

EXPECTATIONS of lower interest rates held European houses generally firm yesterday with Frankfurt pushed to the fore by strong domestic and foreign buying.

The Bundesbank's decision to lower securities repurchase agreements from 5.1 to 4.8 per cent added to the optimism that has been growing during the week that West German interest rates are set to decline.

The Commerzbank index calculated at midday added 22.80 to 1,398.80, although an easier tone developed during the afternoon leaving most stocks below their peaks for the day.

Banks were at the centre of interest rate hopes and without exception rose steadily throughout the session before a minor late downturn. Dresdner led the way adding DM 13.80 to DM 281 while Deutsche firmed DM 7.50 to DM 568.50 and Commerzbank DM 7.90 to DM 221.90.

Chemical received most support with foreign traders active. Bayer led the way with a DM 5 rise to DM 220.50 while BASF firmed DM 4.60 to DM 220.50 and Hoechst DM 3.50 to DM 222.

Advances in the automotive sector were smaller than those recorded on Wednesday. BMW saw the largest increase and ended DM 5.50 higher at DM 402.50 followed by Daimler up DM 1.50 to DM 842. Volkswagen 30 pig higher at DM 300.80 and Porsche DM 5 ahead at DM 1,300.

The engineering sector was also on the upturn with Mannesmann closing DM 5 higher at DM 195.50, Linde DM 21 up at DM 520 and GHH 50 pig up at DM 161.

The tempo of trading increased on the bond market. The Bundesbank sold a relatively large DM 52.3m worth of paper, compared with DM 14.5m of sales in the previous session.

Amsterdam edged closer to a record level, carried by Wall Street's overnight record and the announcement that other major Dutch banks are to follow ABN's lead and effectively lower their base interest rates.

Banks were again under heavy buying pressure and the banking index added 7.0 to a record for the year of 351.50 while the improved outlook for the country's shipping industry helped the shipping index to a record of 231.2, up 3.1.

NMB moved to a peak for the year with a FI 3.80 increase to 213.80, ABN added to Wednesday's increase to close FI 10 higher at FI 491.50 and Amro firmed 60 cents to FI 87.40.

Insurers were also in demand as Amey firmed FI 4 to FI 272.50, Aegon 50 cents to FI 98.20 and Nat-Ned 70 cents to FI 78.20.

In the chemicals sector, Gist-Brocades added a further FI 2.20 to a record for the year of FI 214.20 following revived market talk that Akzo may stage a bid. The takeover reports were firmly denied by Gist-Brocades.

Advancing internationally included Akzo which rose FI 1.90 to FI 119.0 and Royal Dutch up 70 cents to FI 197.30. However, KLM declined 40 cents to FI 63.10.

In Paris the Bank of France's decision to cut the money market intervention

rate failed to spur trading with most attention focused on concern about the dollar's course.

The construction sector came in for further support with Bouygues adding to its previous day's rise, closing FF 7 higher at FF 787 while Lafarge-Coppée added FF 5 to FF 550.

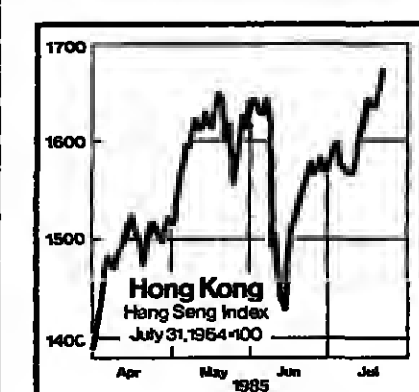
Zurich continued to improve amid heavy turnover in a broad range of stocks.

Banks and insurers remained the centre of most activity. UBS firmed a further SwFr 35 to SwFr 4,270, Credit Suisse SwFr 30 to SwFr 2,925, Swiss Volksbank SwFr 40 to SwFr 1,780 and Baer Holding SwFr 100 to SwFr 8,900.

Brussels added to Wednesday's advance as Belgian politics continued to calm after the threatened resignation of the ruling coalition.

Momentum returned to trading in Milan with strong interest in the Agnelli family group of companies while prices fell across a broad front in Madrid.

Stockholm prices moved forward after several dull sessions reflecting renewed hopes of lower domestic interest rates.



### HONG KONG

## Properties and banks in spotlight

PROPERTY and banks shares were in the spotlight in Hong Kong yesterday as a technical rally spurred the Hang Seng index a further 24.14 points up to a four-year high of 1,072.04.

Interest rates continue to lend strength to the market. Local banks cut their prime rates by a further full percentage point to 6 per cent after trading, but many share prices reacted to early rumours of such a cut. Institutional buying remained active, while the fresh funds unleashed by the last prime rates of one full percentage point on Monday are buoying the market.

Properties were the first to benefit from the rate cuts and fresh buying. Cheung Kong added 80 cents to HK\$17.90, Hongkong & Kowloon Wharf firmed 15 cents to HK\$8.55 as Sun Hung Kai finished 40 cents higher, at HK\$13.40.

Hongkong Land, 15 cents up at HK\$6.60, featured again with unconfirmed rumours that several overseas buyers were interested in a takeover. Jardine Matheson, which holds a controlling stake in Hongkong Land, rose 40 cents to HK\$12.60.

Among leading banks to fall were Bank of East Asia, 70 cents cheaper at HK\$23.10, Hang Sang 50 cents off at HK\$46.25 and Hongkong & Shanghai 5 cents down at HK7.65.

### TOKYO

## Institutions continue on buying spree

ENCOURAGED by the continued advance on Wall Street, investors actively traded large-capital and construction stocks in Tokyo yesterday but the advances were trimmed back in the afternoon, writes Shigeo Nishiwaki of Jiji Press.

The Nikkei-Dow market average of 225 select issues added 8.05 to 12,652.54, the third straight gain. Volume shrank slightly from 532m Wednesday to 520m. Gains outnumbered losses 416 to 394, with 138 issues unchanged.

The market indicator had surged by 247.72 in the preceding two sessions, recouping over half of the setback suffered in its recent six-day losing streak.

Large-capitals attracted institutional investors. Nippon Steel gained Y3 to Y189 on the day's heaviest trading of 25.05m shares. Four other large-capital stocks placed second through fifth. They were Kawasaki Kisen, up Y3 at Y203, Mitsubishi Heavy Industries, up Y5 at Y336, Ishikawajima-Harima Heavy Industries, down Y1 at Y183, and Kawasaki Steel, up Y4 at Y157. Tokyo Electric Power advanced Y30 to Y2,250.

Constructions remained popular. Wakachiku Construction, sixth busiest with 11.60m shares, jumped Y48 to Y339. Kumagai Gumi added Y27 to Y809, while Tokyo Construction finished at Y325, a substantial increase of Y48. But Taisei Corporation shed Y10 to Y310.

Among biotechnologies, Mochida Pharmaceutical registered a third consecutive daily limit rise of Y500, closing at Y11,090. But Yamanouchi Pharmaceutical and Dai-nippon Pharmaceutical plunged Y100 to Y2,920 and Y90 to Y3,330, respectively. Asahi Chemical also lost Y19 to Y851.

Reflecting Wednesday's rise of its American depositary receipt (ADR) on Wall Street and small-lot buying by non-residents, Hitachi jumped Y33 to Y787. Sony was Y20 higher at Y3,920.

However, biotechnologies and blue chips began to lose steam and investors started moving into other sectors. Department stores were sought after with Tokyu Department Store rising Y16 to Y540 and Mitsuokoshi jumping Y23 to Y635. Nippon Zeon closed at Y519, up Y18.

Bond trading was active early in an anticipation of an easing in U.S. monetary policy, but eased near the close as investors grew concerned about the U.S. second-quarter GNP flash report.

The yield on the barometer 6.5 per cent government bonds due in December 1994 declined from 6.320 per cent Wednesday to 6.300 per cent, slipping below the three-month bill rate of 6.31 per cent.

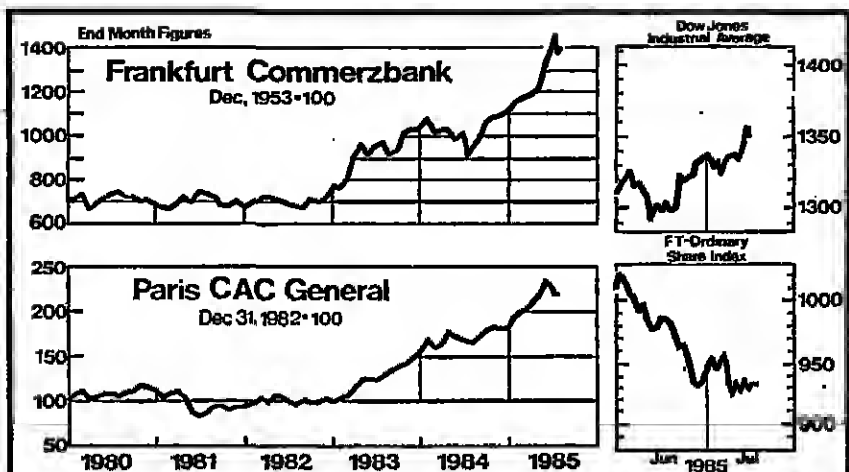
### CANADA

EARLY LOSSES were overturned in Toronto although resource issues staged a retreat.

Gulf Canada was actively traded 3% lower to C\$17% after Olympia and York Development withdrew its bid for Chevron's controlling stake in Gulf Canada. Lac Minerals in a weaker gold sector lost C\$4 to C\$31%.

Bank and industrial stocks progressed in Montreal against weaker utilities.

### KEY MARKET MONITORS



STOCK MARKET INDICES				
	July 18	Previous	Year ago	
<b>NEW YORK</b>				
DJ Industrials	1,356.41	1,357.97	1,111.64	
DJ Transport	699.91	702.60	462.65	
DJ Utilities	167.27	168.34	125.87	
S&P Composite	195.34	195.65	151.40	
<b>LONDON</b>				
FT Ord	932.6	933.6	764.7	
FT-SE 100	1,248.6	1,247.3	1,008.0	
FT-A All-share	602.04	600.9	469.72	
FT-A 500	655.39	654.07	505.22	
FT Gold mines	407.2	410.8	523.3	
FT-A Long gilt	10.17	10.18	11.29	
<b>TOKYO</b>				
Nikkei-Dow	12,652.54	12,646.49	10,208.20	
Tokyo SE	1,048.60	1,043.10	776.20	
<b>AUSTRALIA</b>				
All Ord.	922.3	912.8	678.8	
Metals & Mins.	527.3	515.3	417.8	
<b>AUSTRIA</b>				
Credit Aktien	97.73	96.27	53.52	
<b>BEIJING</b>				
Beijing SE	2,302.81	2,294.97	—	
<b>CANADA</b>				
Toronto				
Metals & Mins	2,015.31	1,981.8	1,714.0	
Composite	2,810.0	2,804.2	2,151.6	
Montreal				
Portfolio	139.17	138.73	104.36	
<b>DENMARK</b>				
SE	n/a	211.38	186.68	
<b>FRANCE</b>				
CAC Gen	219.3	218.6	185.3	
Ind. Tendance	125.70	125.90	88.18	
<b>WEST GERMANY</b>				
FAZ-Aktien	476.41	469.46	329.31	
Commerzbank	1,399.6	1,377.0	945.8	
<b>HONG KONG</b>				
Hang Seng	1,072.04	1,047.90	791.59	
<b>ITALY</b>				
Banca Com.	n/a	351.84	206.88	
<b>NETHERLANDS</b>				
ANP-CBS Gen	216.1	215.1	152.8	
ANP-CBS Ind	185.8	182.8	123.7	
<b>NORWAY</b>				
Oslo SE	337.81	337.00	248.52	
<b>SINGAPORE</b>				
Straits Times	736.26	727.55	679.14	
<b>SOUTH AFRICA</b>				
JSE Golds	—	985.1	853.2	
JSE Industrials	—	1,036.5	880.4	
<b>SPAIN</b>				
Madrid SE	109.89	110.39	90.48	
<b>SWEDEN</b>				
J & P	1,325.30	1,307.74	1,477.33	
<b>SWITZERLAND</b>				
Swiss Bank Ind	457.2	454.5	362.0	
<b>WORLD</b>				
July 17	Prev	Year ago		
Capital Int'l	224.3	221.5	170.5	
GOLD (par ounce)				
	July 18	Prev	Year ago	
London	\$320.25	\$325.75		
Zurich	\$320.50	\$326.50		
Paris (biding)	\$322.56	\$323.96		
Luxembourg	\$322.55	\$320.30		
New York (Aug)	\$318.80	\$324.00		
* Latest available figure				

All of these securities having been sold in the United States, Canada and elsewhere, this announcement appears as a matter of record only.

**\$30,000,000**

**NBS Capital Corp.**

**8 3/4% Convertible Subordinated Guaranteed Debentures due 2000**

(Interest payable January 15 and July 15)

Convertible into Common Shares of and Guaranteed on a Subordinated Basis by

**NBS**  
NATIONAL BUSINESS SYSTEMS INC.

**Price 100%**  
plus accrued interest from July 15, 1985

**Drexel Burnham Lambert**  
INCORPORATED

**Dominion Securities Pitfield**  
LIMITED

**Nesbitt Thomson Bongard**  
INC.

July 19, 1985